# BUDGET

# 1993 - 94

**SPEECH OF**

*THE HONOURABLE MINISTER FOR FINANCE*

## THIRU V.R. NEDUNCHEZHIYAN

**Maasi 29, Thiruvalluvar Era 2024**
**12th March 1993**

**Speech of Dr. V.R. Nedunchezhiyan, Hon'ble Minister for Finance, Government of Tamil Nadu, presenting the Budget for 1993-94 to the Legislative Assembly on 12th March, 1993.**

Hon'ble Speaker Sir,

It is my pleasure and privilege to place the Revised Estimates for 1992-93 and the Budget Estimates for 1993-94 before this House for its approval.

"இன்சொலால் ஈத்தளிக்க வல்லாற்குத் தன்சொலால்
தான்கண் டனைத்துஇவ் உலகு."

To the leader who can protect with pleasing words and gifts galore,
This world will submit itself as he wished and will adore.

The golden saying of Saint Thiruvalluvar is that the leader who speaks sweetly, guards well and gives with graceful clemency, commands the praise and obedience of the world.

It is with these qualities that the Hon'ble Chief Minister Puratchi Thalaivi Dr. J. Jayalalitha has been giving this State an excellent administration. The Hon'ble Chief Minister has been steadfast in following the policies, objectives and democratic principles of Perarignar Anna and carrying forward and implementing the programmes of human resource development pioneered by Ponmana-chemmal Puratchi Thalaivar Dr. M.G.R.

2. Tamil Nadu has been exceptionally successful in maintaining peace, law and order and unity and in stamping out disruptive and violent influences which threatened them. In the midst of the violence, turmoil and disturbances which occurred throughout India, Tamil Nadu has remained an oasis

of peace and harmony. It is a matter of great satisfaction that the people of Tamil Nadu live in peace, enjoy full protection and have been given the opportunity to continue to pursue their avocations with zeal and vigour.

3. Though the economies of many States have suffered a set back due to the violence resulting from sectarianism and communal hatred, Tamil Nadu has been able to continue the efficient and successful implementation of planned development programmes, thanks to the proper maintenance of peace and law and order.

4. Hon'ble Members of the House are aware of the national economic crisis when this Governmen t assumed office in June, 1991. The economic crisis which this Government had to face was unprecedented. The country's economic growth in 1991-92 was just 1.2%. The rate of inflation at the end of 1991-92 was 13.6%. This was the situation which we had to face when we assumed office. The country's economic growth in 1992-93 will exceed 4%. The annual rate of inflation is now around 7%. The sharp increase in administered prices by the Central Government in the last one year on various items like rice, diesel, LPG, coal, railway fares and freight rates, fertilizers, etc. has kept up the inflation rate during the entire year 1992. This chain of increases in administered prices has seriously affected the poor and the underprivileged. While we endorse the economic policies of the Centre to provide the impetus for economic growth, liberalise procedures and integrate the Indian economy with the global economy, we are concerned about the immediate effect of the adjustment process on the standard of living of the poor. In every national or regional forum, the Chief Minister has been pleading for restraint in

implementing policies that may affect the poor. In November, 1992 at the meeting of the Southern Zonal Council, the Honourable Chief Minister had cautioned that any further attempt to increase the issue price of foodgrains, would make it impossible for the State Government to bear the burden.

5. The State Government strongly feels that it would have been more appropriate for the Centre to sustain a higher level of food subsidy for at least some more time to insulate the poor against the inflationary forces. It is not possible for the States to keep sustaining a higher food subsidy burden with their fragile resources base. As it is we have not fully passed on to the consumers the rice price increase implemented by the Centre. **This has resulted in our having to assume an all time high annual food subsidy burden of Rs.400 crores.** Together with the arrears of subsidy of Rs.110 crores to be paid, the total provision has gone up to an alarming amount of Rs.510 crores in 1993-94. Tamil Nadu has the lowest rice prices in the public distribution system in the country. The commitment on food subsidy incurred by this Government is the largest for any State in the country. Now that the Centre's fiscal situation has improved, we hope that the Centre would exercise restraint in any price change which will further affect the poor, and also initiate programmes which would reduce the disproportionately high burden of the structural adjustment process that has fallen on the poor.

6. It has always been our stand, consistent with the philosophy of a strong Union and prosperous autonomous States that the Constitution would need appropriate changes to ensure that all the powers to protect and

safeguard the sovereignty of the nation are with the Union, while the powers and responsibilities for growth and welfare remain with the States. We shall continue to reiterate this stand.

7. In this context, we have cause to be concerned about certain recent trends in Centre-State fiscal relations. I refer to the increasing role being assumed by the Centre in spheres which are essentially the States' domain. The World Bank has made available 500 million US dollars for a Social Safety Net. This has enabled the Centre to correct the unwelcome trend resulting in cuts in allocations for the poor. At the same time it would be more appropriate that these funds are made available to the States in an equitable manner. These resources are instead being allocated to various Ministries in the Centre. The National Development Council has already resolved in its meeting in December, 1991 that Centrally Sponsored Schemes should be progressively transferred to the States. It would have been more appropriate to increase the direct transfer of these resources to the States allowing them to undertake these activities in the State Plan. It also needs to be highlighted that in the distribution by the Central Ministries, States which have already done well in social sectors like Tamil Nadu stand to lose. Those States which have neglected these sectors in the past are now to be rewarded with additional funds whereas the States which have done well and are bearing the recurring costs are required to be on their own. This is not at all fair and it is our request that there should be a national consensus on the question of inter-se allocation of these additional resources between States.

8. Further, in the recent past the focus has only been on the Centre's fiscal situation while at the same time the States' fiscal difficulties have been ignored. The Centre is

able to access structural adjustment loans from the World Bank and special funds from the International Monetary Fund, whereas the States have no such facility. No significant measures relating to the improvement of the States' finances have been implemented. I would, in particular, like to refer to the Sarkaria Commission's recommendation relating to the sharing of Corporation Tax. Successive Finance Commissions have been unable to go into this question for want of a reference from the Centre. The Centre is now also suggesting that in the liberalised situation it is the States which should actively promote new investment. It is clearly inequitable that when the States have to incur major outlays on infrastructure, environmental protection and social support services and support to the export effort, no share of the Corporation Tax is made available to them. We will continue to urge the Centre to bring in the necessary Constitutional amendment and make a specific reference to the Tenth Finance Commission to allocate a share of the Corporation Tax amongst the States.

9. We are also deeply concerned about the delay in the levy of Consignment Tax. The Chief Minister has written to the Union Finance Minister in December, 1992 stressing that there should be no rethinking about the levy of Consignment Tax. She has also suggested that a Bill to provide for this be introduced within a period of 3 months. We hope that this Bill, as urged by all States, will be introduced in the current session of Parliament. We are also quite concerned about the announcement regarding the entrustment of a study on the levy of a value added tax. Such a tax will make deep inroads into the State's own main tax revenue base comprising Sales Tax. It is but proper that the Central Government initiate a

dialogue with the States before proceeding any further on this issue.

10. We have to improve savings so that the level of developmental expenditure can be stepped up. It is for this reason we had urged the Centre to consider as part of the Union Budget for 1993-94, special new concessions for small savings. It is disappointing that despite the steep decline in small savings collections in 1992-93, the Centre has not chosen to announce new concessions for small savings in the recent Union Budget. This is a set back to our efforts to find resources for planned development. It is to be hoped that the Centre will heed our plea and at least make available some special concessions for small savings.

## TENTH FINANCE COMMISSION

11. Hon'ble Members of the House are aware that the Tenth Finance Commission has been constituted at a time when the States are confronted with extremely serious financial problems. This Finance Commission will have to take special note of the serious financial situation in which the States are now placed. It needs to be pointed out that the fiscal crisis confronting many States is clearly because of the inadequacy of the dispensations of the Ninth Finance Commission. The recent spate of increases in administered prices and the inflationary situation in the last two years have left the States in an extremely vulnerable position. The States, which are so much closer to the people, are placed in the unenviable position of having to explain this situation to the poor. The Tenth Finance Commission would have to take note of these realities in its recommendations. It will have to break new ground in the resources transfers to the States.

12. Tamil Nadu has been particularly badly affected by the Ninth Finance Commission's recommendations. The loss of revenue following the prohibition policy was not adequately recognized. The Finance Commission's projections of revenue expenditure have been completely off the mark and the State has had to contend with a negative balance from current revenues as against the positive projections made by the Ninth Finance Commission. In the devolution of Central tax revenues, Tamil Nadu suffered once again as the share of Union Excise Duties allocated to all States was reduced from the earlier level of 40 per cent to 37.575 per cent. In the matter of plan revenue grants, Tamil Nadu got a raw deal. Overall, the State has been left in an extremely vulnerable position. The Tenth Finance Commission would have to take note of the resulting serious imbalances in Tamil Nadu's finances and recommend appropriate reliefs. We shall of course be presenting our detailed forecasts and memorandum to the Finance Commission shortly. We hope at least this Commission will take note of the structurally difficult fiscal situation that the State finds itself in and make appropriate recommendations.

## EIGHTH FIVE YEAR PLAN

13. Hon'ble Members of the House are aware that the Eighth Five Year Plan has been launched with effect from 1st April ,1992 to cover the period 1992-97. In view of the fiscal crisis confronting the State and the acute resources shortage, it was feared at one time as to whether the State would be able to embark on a meaningful Eighth Five Year Plan. There were even suggestions that the Eighth Plan could be left at the Seventh Plan level. This would have meant a serious cut back

in real outlays. The Chief Minister Puratchi Thalaivi Dr. J.Jayalalitha took the firm stand that if Tamil Nadu had to progress, the effort had to be made to secure a meaningful Eighth Plan for the State. Following the Chief Minister's discussions with the Deputy Chairman of the Union Planning Commission in April,1992, the Eighth Plan outlay for Tamil Nadu was fixed at Rs. 10,200 crores, representing a healthy 77 per cent increase over the Seventh Plan outlay of Rs. 5750 crores.

## ANNUAL PLAN

14. Hon'ble Members of the House are aware that this Government accords the highest importance to planned development to take the State on the road to prosperity. The plan performance in 1991-92 exceeded the approved outlay. Members of the House are also aware of the suggestion made by the Union Planning Commission at one stage that the Plan outlay for 1992-93 may be fixed at Rs. 1486 crores, that is, even less than the previous year's outlay. It is solely due to the untiring efforts of the Hon'ble Chief Minister Puratchi Thalaivi Dr. J. Jayalalitha that the Union Planning Commission reconsidered its view and approved an outlay of Rs.1751 crores for 1992-93. The Revised Estimates, 1992-93 now provide for a total outlay of Rs.1810 crores, that is, the approved plan outlay of Rs.1751 crores will be exceeded by Rs.59 crores. This Government has thus established a track record of performing in full the approved plan outlay. This aspect was appreciated by the Deputy Chairman of the Union Planning Commission when the Hon'ble Chief Minister discussed the Annual Plan outlay for 1993-94 in November, 1992. It was the realisation that Tamil

Nadu would ensure performance that prompted the Union Planning Commission to approve a much higher outlay of Rs.2101 crores for Tamil Nadu in 1993-94. This is a 20 per cent step up over the 1992-93 approved plan outlay and is one of the highest among all States. Members of the House will also be extremely glad to know that in 1993-94 Tamil Nadu's per capita plan outlay will once again exceed the All India average. Planned development in Tamil Nadu has thus been put on a proper growth trajectory. I shall now turn to plans and programmes in various sectors.

## POLICE

15. It has been the effort of this Government to impart a new vision, a new direction and a new purpose to the State Police Force. It is a matter of utmost satisfaction that the State Police has fully risen to the very many difficult situations and acquitted itself most creditably.

16. **The Budget includes a total provision of Rs.306 crores for the Police force.** As against our request for Rs.80.45 crores for the Police modernisation programme, we have so far received Rs.10 crores from the Centre. This has been allotted for various items of work under the first phase of modernisation. We hope that the further amount of Rs.30 crores promised by the Union Home Minister will be released quickly to enable us to take up the second phase of modernisation.

17. Members of the House are aware of the formation of the Uniformed Services Recruitment Board. **The Budget provides for the recruitment and placement of 10,000 new Police constables.** This will be a major step forward in

improving the efficiency and performance of the State Police force.

18. Members of the House are also aware of the several steps and measures undertaken by the Government to improve the morale and performance of the Police force. The subsidy on essential food articles for the Police force has been recently enhanced. **A massive scheme of upgradation of 21,000 posts of Grade II Police Constables to Grade I and upgradation of 2,700 Grade I Police Constables to Head-Constables is being implemented.** The Budget makes provision for these schemes.

19. The highest priority has been given for Police housing. 1000 police quarters at a cost of Rs.12.5 crores will be completed shortly. **The Budget provides for the construction of 1000 more police quarters.** This programme will be taken up with assistance from HUDCO.

## CYCLONE AND FLOOD RELIEF

20. Members of the House are aware of the damages wrought by the cyclone and the resulting floods in November, 1992. The Chief Minister took up immediately the personal inspection and supervision of the relief works. We have so far sanctioned Rs.106 crores for various flood relief works and assistance to the affected. We have received additionally only Rs.14.63 crores being 50% of the Central share to the Calamity Relief Fund (CRF) due in 1993-94. The Ninth Finance Commission's recomendation on the size of the Calamity Relief Fund has proved to be totally inadequate. An additional amount of Rs.50 crores promised by the Prime Minister during discussion with the Chief Minister on 1st

December, 1992 has been received only as an advance of the State's own share of the Central Taxes and is due to be adjusted in March, 1993. We have urged the Centre that the adjustment should not be done in March 1993 as this will put us in great financial strain. In addition, with the approval of the Centre, we have taken up with the World Bank the consideration of a major cyclone reconstruction project with a total outlay of Rs.2,560 crores. The Chief Minister also discussed this with the Managing Director of the World Bank. The World Bank has expressed its willingness to consider certain components of the project under ongoing projects and new projects in the pipeline. The Chief Minister has however insisted on a separate project for this purpose. We shall take this up further with the World Bank. We would urge the Centre to obtain clearance for this project.

## AGRICULTURE

21. Hon'ble Members of the House will be glad to know that despite the cyclone and resulting floods in November 1992, the food grain production in the State will cross the seemingly impossible barrier of 100 lakh metric tonnes. This splendid achievement of our hard working farmers deserves our fullest appreciation. The plan outlay on agriculture and allied activities has been stepped up to Rs.235 crores in 1993-94 from the level of Rs.216 crores in 1992-93.

22. The farm sector accounts for about 22 per cent of the State Domestic Product but provides employment for nearly 60 per cent of the work force. Policy interventions in the sector would have to focus on rapid increase in productivity through wide ranging measures, releasing scarce land and water resources for high value crops, efficient

management of available water, cost control through adoption of new scientific techniques including environment friendly measures, bringing waste lands under cultivation, integrated farm management in a broad based manner, encouraging capital investment in agriculture and appropriate price policies. The effort will be to impart a new dynamism so that the farm sector in Tamil Nadu becomes the power house for growth.

23. **We have ensured that the procurement prices for paddy and sugarcane paid to farmers are at an all time high. A major scheme of debt relief at a cost of Rs.55 crores has been implemented in the current year.**

24. Agricultural research and skill development will be given maximum importance as the key to future increases in productivity. The Tamil Nadu Agricultural Development Project (TNADP) is implemented with assistance from the World Bank at a total cost of Rs.309.29 crores. **As a part of the new effort to improve the knowledge and skills in agriculture we shall launch in 1993-94 a project (TANWA-II) with assistance from DANIDA to train 70,000 farm women in agriculture at a cost of Rs.23.43 crores.** We have also formulated a project for human resource development in agriculture at a cost of Rs.150 crores to be implemented with assistance from the World Bank. **The release of the new scented variety of rice JJ 92 marks a major new effort to produce high value rice in Tamil Nadu for export purposes.** Under the Oil Palm Project, oil palm seeds have been imported from Costa Rica to undertake planting in 5000 acres in Tiruchirappalli, Thanjavur and Nagapattinam Quaid-e-Milleth Districts. This programme will be further expanded in 1993-94.

25. The new concept of watershed management is given the highest importance. 77,500 acres have been covered in 1992-93. **It is proposed to take up a total area of 1.21 lakh acres in 1993-94. We have also approached DANIDA to take up a new watershed development project in Ramanathapuram, Pasumpon Muthuramalinga Thevar and Kamarajar Districts to cover an extent of 27,500 acres at a total cost of Rs.12.82 crores.** The highest emphasis has been given to drip and sprinkler irrigation. It has been possible to cover 7,500 acres with an outlay of Rs.3.87 crores in 1992-93. **We shall step up the coverage in 1993-94 to 13,750 acres at a cost of Rs.5 crores.**

26. It has been our effort to bring under the plough waste lands in the State. A major programme was launched in 1991-92. 25,000 acres have been covered under this programme in 17 districts. **It is proposed to cover an additional extent of 37,500 acres in 1993-94.** A new Tree Growers Co-operative Project will be launched in the coming year with an outlay of Rs.6 crores in Pasumpon Muthuramalinga Thevar and Dharmapuri districts.

27. Adequate new capital investment should take place in agriculture to promote faster growth in the sector. It will be our endeavour to create the conditions necessary to bring about this change. As a first step a major programme involving an outlay of Rs.53 crores has been taken up. Under this programme new investment in pump-sets, farm equipment, tractors, rubberised tyre bullock carts etc., has been made. We have requested the Government of India to continue this scheme for the year 1993-94 and also provide adequate credit support to enable farmers to take up new capital investment in agriculture.

28. A new thrust area will be the production of vegetables. **We shall launch an Intensive Vegetable Development Programme in the coming year. The intention of this scheme is to provide technical support and services for the cultivation of common vegetables like tomato, brinjal, etc. In association with the National Dairy Development Board (NDDB), a vegetable development project with an outlay of Rs.45 crores will be implemented.** Under this project farm services, storage facilities and market stabilization will be undertaken. This will greatly benefit vegetable growers in the State.

## IRRIGATION

29. Tamil Nadu has already utilised 98% of its surface irrigation potential and an estimated 83% of its ground water potential. In this situation we have to take all possible measures to safeguard the water availability in the State. Members of the House are aware of the firm steps taken by the Chief Minister in securing the implementation of the interim order of the Cauvery Water Disputes Tribunal. We will continue to reiterate that the interim order should be implemented.

30. The plan outlay for major and minor irrigation has been stepped up from Rs.91.57 crores in 1992-93 to Rs.119.70 crores in 1993-94. Confronted by serious shortages of water resources the effort in future will have to be to plan and implement the efficient overall utilisation of available water. **Keeping this broad objective in mind, we have formulated a Water Resources Consolidation Project with a total outlay of Rs.804 crores.** The Chief Minister has requested the

Managing Director of the World Bank to give this project immediate consideration. The World Bank has also reacted positively and is currently examining the project in detail.

31. Members of the House will be glad to know that the Budget provides for a major increase in the outlay on maintenance of irrigation systems. **We have provided Rs.200 per hectare for the maintenance of large irrigation systems and Rs.264 per hectare for minor irrigation systems in the coming year. These norms reflect for the first time a step up over the norms recommended by the Ninth Finance Commission.** At the same time those who benefit from irrigation systems will have to contribute adequately at least to cover operation and maintenance costs of these systems if not towards the capital costs.

32. **We shall take up the Vadakku Pachaiyar Project in Thirunelveli- Kattabomman district at a cost of Rs.22.5 crores. This major project will provide irrigation to 1,880 acres and stabilise irrigation in 1,418 acres. It will also provide for conversion of 4,074 acres from single dry crop to double dry crop pattern.**

33. **We have provided an outlay of Rs.17.33 crores for the National Water Management Project.** Work has been taken up in the current year in the Tholudur Regulator System and the Chittar Reservoir System. We shall take up in the coming year works in the Thirukoilur Anaicut System, Krishnagiri Reservoir System, Manjalar Reservoir System and Pilavukal Reservoir System.

34. Tamil Nadu has a total number of 39,202 minor irrigation tanks. Of these, 8,939 larger tanks and system tanks covering an ayacut of 18.55 lakh acres are under the control of

the Public Works Department. 20,413 small tanks with an ayacut of less than 100 acres each covering 3.96 lakh acres in all are under the Panchayat Unions. Another 9,850 tanks namely the Ex-Zamin tanks are not being maintained by either agency. We have decided that from 1st April 1993 all Ex-Zamin tanks with an ayacut below 100 acres each will be brought under Panchayat Unions and all tanks with an ayacut above 100 acres and system tanks will be brought under the Public Works Department. **A special provision of Rs.2 crores has been made in the Budget for improvements to Ex-Zamin tanks after their take over by the respective departments.**

35. Under Phase II of the Tank Modernisation Project with assistance from the European Economic Community (EEC), 230 tanks covering an ayacut of 55,284 acres have been taken up for improvements. **The Budget provides Rs. 24.51 crores for this project in 1993-94.**

36. A new Dam Safety and Rehabilitation project has been launched with World Bank assistance at a total cost of Rs.48.33 crores. The provision for this project in 1993-94 is Rs.3.07 crores.

## RURAL DEVELOPMENT

37. This Government places the highest emphasis on rapid development of rural areas. **We launched the massive Special Self-Sufficiency programme immediately after assuming office. This massive programme with an outlay of Rs.387 crores provided Rs.1 crore for every Panchayat Union to take up basic and essential works. This programme will be**

**completed in full in March 1993.** Under this programme the following works will be completed.

| **Name of the scheme** | **Number of works** | **Cost (Rs. in Crores)** |
|---|---|---|
| Drinking Water Supply | 8979 (habitations) | 98 |
| Improvement to Roads | 7398.6 km | 174 |
| Provision of street lights | 1,68,895 | 33 |
| Primary school buildings | 2288 | 31 |
| Construction of Nutritious Meal Centres | 2933 | 20 |
| Renovation of Minor Irrigation systems | 5535 | 28 |
| Provision of T.V.sets | 1919 | 3 |

This massive programme for provision of basic needs has been widely appreciated.

38. As part of the process of decentralised planning we have decided that untied resources should be made available at the district level. **We have decided to launch a new District Decentralized Plan (DDP).** Untied funds will be made available at the district level and its utilisation will be decided in consultation with the District Development Council based on a district plan. This will go a long way in the planning and execution of schemes to meet the felt needs of

the people. The Budget provides for a total outlay of Rs.20 crores for this new programme.

39. True democratic decentralisation can be achieved only if local bodies are made financially self reliant. Members of the House may recall that the local cess and local cess surcharge which remained unchanged for several decades was revised with effect from 1.7.92. The local cess surcharge which is the main levy has been revised from Rs.2.50 per rupee of land revenue to a maximum of Rs.10 per rupee of land revenue. The main request is that while the revision is indeed warranted it should be moderated. **We have decided to accept this request and we shall ensure that no Panchayat Union levies more than Rs.5 as local cess surcharge per rupee of land revenue. Consequent on the increase in the local cess surcharge we have provided for a flow of Rs.32.5 crores additionally in 1993-94 as local cess surcharge matching grant to Panchayat Unions.**

## ANIMAL HUSBANDRY

40. Members of the House will be glad to know that a massive programme to provide better Animal Husbandry services has been launched. **Under this programme in 1992-93, 484 more veterinary dispensaries and sub-centres have been provided with frozen semen facilities.** Frozen semen production facilities at Hosur and Eachankottai have been expanded at a total cost of Rs. 2.52 crores. Frozen semen banks have been formed at Tiruchirappalli, Thanjavur, Dharmapuri and Tirunelveli-Kattabomman Districts.

41. Under the programme to establish **veterinary dispensaries in far flung rural areas,400 new mobile**

**veterinary dispensaries are being established. The outlay for medicines has been stepped up from Rs.3.38 crores in the current year to Rs.5 crores in 1993-94.** Special diagnostic services to detect animal diseases have been established in all districts in the current year. **A special Animal Disease Intelligence Unit at Erode and a Poultry Disease Diagnostic Laboratory at Andalur in Salem district will be established in the coming year.** We shall give the highest priority to the prompt identification of animal diseases and their control.

42. **Tamil Nadu is on the threshold of a new milk revolution. Operation Flood III is under implementation at a total cost of Rs.68.19 crores with support from the NDDB. Under this project a new dairy will be commissioned in September, 1993 at Sholinganallur near Madras with a capacity of 4 lakh litres per day at a cost of Rs.20 crores.** In the coming year, chilling capacity will be increased from 7.5 lakh litres per day to 10.11 lakh litres per day and processing capacity from 17.04 lakh litres per day to 23.04 lakh litres per day through new processing and chilling facilities. In districts not covered by the Operation Flood III programme, we have taken support from the NCDC to implement Integrated Dairy Development Projects. Kamarajar District has already been covered under this programme at a cost of Rs. 4.65 crores. **In 1993-94 we shall take up this programme in Kanniyakumari district at a cost of Rs.2.36 crores and Pasumpon Muthuramalinga Thevar District at a cost of Rs.3.86 crores.**

## FISHERIES

43. **We have launched an Integrated Marine Fisheries Development Project at a total cost of Rs.15.88 crores in Chengalpattu-M.G.R., Thanjavur, Ramanthapuram, Chidmbaranar and Kanniyakumari districts.** Under this project which is to be implemented in a period of 5 years, 6,050 fishermen will be provided with fishing craft and gear, out-board and in-board engines and nets.

44. We have given the highest emphasis to brackish water prawn farming adopting the twin approach of encouraging large houses to take up prawn farming and grouping fishermen into industrial estates for prawn culture. Work has commenced in establishing a prawn farming industrial estate over an extent of 343 acres at Tharuvaikulam in Chidambaranar District at a cost of Rs.7.2 crores. **As a measure to rehabilitate fishermen affected in the Palk Bay another prawn industrial estate will be established in Ramanathapuram District at a total cost of Rs.7.5 crores.**

45. We have also decided to launch a crash programme to improve the fish seed production in the State. At present, the annual requirement is 17 crore seeds. The supply is only about 6 crore seeds. **We shall implement in the coming year a major scheme to improve the supply by 4 crore seeds.** The budget also provides Rs.26 lakhs for improvements to Tuticorin and Kottaipattinam fishing harbours.

46. This Government has kept the welfare of fishermen uppermost in its priorities. The Savings cum Relief Scheme

has been expanded. **The off-season benefit has been stepped up from Rs.60 per month for 3 months to Rs.270 per month for 4 months from the current year. The cost of the revised scheme is Rs.5.34 crores in 1992-93. 82,000 fishermen have been benefited by this scheme.** We have taken concerted action to ensure that 2000 houses for fishermen are completed in the current year. **We shall take up another 2000 houses in 1993-94.**

## FORESTS

47. It is essential not only to conserve our existing forest wealth but also to rapidly expand the forest area. In the current year afforestation programmes have covered a total extent of 1.13 lakh acres. In the coming year it is proposed to cover 1.25 lakh acres. The total plan outlay in 1993-94 for forest development will be Rs.43 crores compared to Rs.39 crores in the current year.

48. We have taken up a massive project to raise tea plantations to cover 7,500 acres in the Nilgiris and Anamalais. Under this project an extent of 1,830 acres has already been brought under tea cultivation. **A further area of 1,250 acres will also be brought under tea cultivation in 1993-94. 3 new tea factories will be established in the coming year at a cost of Rs.8.5 crores.** An export drive to popularise Tamil Nadu tea has also been launched in the current year.

49. **A major pulp wood area expansion project has been launched in the current year. 26,000 acres have been covered in 1992-93, under this project which is being** implemented at a total cost of Rs.84.73 crores. 26,000 acres will be covered in 1993-94 additionally.

50. The Budget provides for Rs.25 crores in 1993-94 for implementation of Phase II-Extension of the Social Forestry Project implemented with assistance from the Swedish International Development Agency (SIDA). A new forestry project at a tentative cost of Rs.350 crores to be financed by the World Bank is under preparation.

## INDUSTRIES

51. The State specific new industrial policy set out by the Chief Minister has provided the foundation for rapid industrial development of the State. **This clear and far sighted policy frame together with an imaginative package of incentives and facilities have created a congenial atmosphere for industrial growth in the State. The Chief Minister held detailed discussions in December 1992 to settle across the table new investment plans involving an outlay of Rs.8500 crores.** With this it has been possible to secure total new investments of Rs.20,000 crores in various industrial and power projects in the State. This augurs well for the rapid industrialisation of the State.

52. Tamil Nadu has to become an aggressive outward leaning economy. In keeping with this economic compulsion, we shall do our utmost to foster industrial growth in the new liberalised economic scenario. At the same time the lowering of customs duties should not inhibit the growth of infant industries. We will urge the Centre to take adequate steps to prevent dumping of goods in the Indian market to the detriment of infant industries.

53. As part of the outward leaning strategy we shall welcome foreign direct investment. It is for this reason

we have chosen to promote actively the Indo Singapore Trade Corridor at Madras. A detailed feasibility report has been prepared. An expert team visited Singapore recently. A high level team headed by Ministers from Singapore has also visited Madras and held a detailed dialogue with the Chief Minister. The World Bank has also promised support. **It will be our endeavour to establish the new corridor in the shortest possible time.**

54. It will be our effort to continuously improve the basic infrastructure in the State to facilitate industrial growth. In a recent study the Centre for Monitoring Indian Economy (CMIE) has evaluated Tamil Nadu as having one of the best functioning infrastructures in the country. The stability in the State and the superior infrastructure has now made it the favoured destination for industrial investment. **The Budget provides Rs.10 crores as equity support for the Tamil Nadu Corporation for Industrial Infrastructure (TACID).** This is to ensure rapid progress in the establishment of growth centres at Perundurai in Periyar district, Gangaikondan in Tirunelveli-Kattabomman district and Panangudi in Nagapattinam Quaid-e-Milleth district. We have requested the Centre to release its promised share of equity support for these growth centres. In addition TACID is busy establishing an agro based industrial estate at Nilakottai in Dindigul - Anna district and another special growth centre at Bargur in Dharmapuri district. **An infrastructure development plan for Tiruppur will also be promoted by TACID with support from the Infrastructure Leasing and Financial Services Ltd.(ILFS). An Electronics Hardware Technology Park will be established. This will be part of the new Electronics City which is being established near Madras with a project cost of Rs.40.65 crores.**

55. **Sales Tax deferral extended so far in 1992-93 has already amounted to Rs.200 crores. On the request of several industrialists and industrial associations we have decided to bring forth amendments to treat the deferred sales tax as deemed to have been paid for purposes of Sec.43-B of the Income Tax Act.** Quick clearance of capital subsidy claims has been introduced and the previous backlog has been brought down. **The Budget provides a major step up from Rs.18 crores in 1992-93 to Rs.27.05 crores in 1993-94 to ensure prompt disbursement of the State capital subsidy.** We have established GUIDANCE as an agency to escort new investment in the State. A core group of Secretaries to Government headed by the Chief Secretary will be constituted to further simplify procedures and set out the framework for one step clearances.

56. We are concerned about the bottlenecks that are appearing in the extension of industrial finance by All India institutions. Both SIPCOT and TIIC are facing problems due to the cutback in refinance facilities extended by these institutions. It is for this reason we have been urging the Centre to locate at Madras a Southern Regional Industrial Development Bank.

57. We shall take vigorous steps to promote the growth of small industries. We are ensuring prompt payments by State public sector undertakings to small scale industries. We urge the Centre and the Reserve Bank of India to lower interest rates further so that 1993-94 can be a turnaround year for small industries. Working capital continues to be a problem and we would urge early implementation of the Nayak Committee's recommendations. We shall support the efforts of the Small Industries Production Promotion Organisation (SIPPO) to assist small industries. Under the

Hi-Tech Estates project the first estate is being established at Tiruppur with Japanese assistance. **TIIC will establish a new Venture Capital Fund with assistance from the IFC, an affiliate of the World Bank.**

58. Before the liberalisation of the industrial licensing system in 1991, the power of licensing was used by the Centre to locate new industries much to the detriment of States like Tamil Nadu. The new announcement of a 5 year tax holiday for certain areas including Union Territories will again affect Tamil Nadu. Tamil Nadu also suffered as direct Central investment in the State declined. **Thanks to the untiring efforts of the Chief Minister, the Centre approved the Aromatics Complex at Manali. We urge the Centre to establish the Southern Gas Grid to bring gas from Bombay High, to Tamil Nadu.** Although an "in principle" clearance has been given for this project,funds constraints are said to be holding up implementation. The Chief Minister has already suggested cofinancing by the Southern States to enable early completion of this project. We urge the Centre to make an early start to this major project.

## POWER

59. Tamil Nadu stands out today among all States as a State which is free of power cuts. We have the happy situation of having no demand or energy cut in the State. We are taking all steps to ensure that this happy state of affairs continues. The 4th and 5th Units at Tuticorin with a total capacity of 420 MW will go into regular generation in March 1993. **We shall also add another 210 MW in 1993-94 when the first unit of the North Madras Thermal Power Plant will be synchronized with the grid.**

60. We have provided a plan outlay of Rs.541 crores for the Power sector. A further outlay of Rs.210 crores outside the plan has also been provided taking the total outlay on the **Power sector to an all time high of Rs.751 crores.**

61. While the effort will continue to be on maximising investments on power in the public sector, we have to think of the future and the large anticipated demand. It is for this reason we have gone in for private sector investment in this crucial sector in a big way. Thus new projects with a capacity of 3000 MW and a total outlay of Rs.11,600 crores, consisting of the 1500 MW Jayamkondam Captive Lignite Mining and Generation project in the joint sector with an outlay of Rs.7000 crores, the 1000 MW Cuddalore Thermal Plant with an outlay of Rs.3000 crores and two 250 MW plants based on Neyveli lignite at a cost of Rs.1600 crores in all, in the private sector, have been approved. We have thus built up an adequate pipeline of new projects for the Ninth Plan period.

62. We are greatly concerned about the delay in implementing various Central power projects in Tamil Nadu. The third mine cut at Neyveli and the associated power generation project should now be launched. We urge the Centre to take an early decision on this project. We have already indicated our willingness to participate in the financing of the Koodangulam Atomic Power Plant. The Centre should take an early decision on the implementation of this project.

63. We have given the highest importance to improvements in transmission and distribution to improve the quality of power and reduce line losses. A master plan with a total outlay of Rs. 1,278 crores has been drawn up. **The outlay**

**in 1993-94 will be Rs.170 crores. Our objective is to progressively reduce losses from the present level of 18% to 15% in the 8th Plan period.**

64. Members of the House are aware of the difficult financial situation faced by the Tamil Nadu Electricity Board. The cost of energy supplied to farmers is Rs. 802.87 crores, being the cost of 495.6 crore units supplied at the value of Rs.1.62 per unit. This is the cost of the scheme of free electricity to farmers. To make good this loss, the State Government gives the Tamil Nadu Electricity Board Rs. 350 crores as cash subsidy and also waives the interest dues of Rs.100 crores from the Electricity Board on the loans extended by the Government. The rest has to be made good by the Tamil Nadu Electricity Board. There is a clear indication by the Centre that the Tamil Nadu Electricity Board should charge 50 paise per unit in respect of farm pumpsets. The Centre has also suggested that this should be implemented before the 31st March, 1993. Adequate credit is also not being made available for the programme of provision of new connections to 40,000 pumpsets every year. We have taken steps to discuss this issue in detail with the representatives of the farmers. Costs have gone up due to two coal price revisions, one in February, 1992 and again in February, 1993. Railway freight rates have also gone up. It is not possible for the State Government with its fragile resources base to provide any additional subsidy over and above Rs.350 crores presently being extended to the Tamil Nadu Electricity Board for this purpose. At least cost increases which have occurred in the last one year have to be neutralised. Well-to-do farmers should prefer to pay for inputs and get remunerative prices for their produce. Free electricity leads to wastage of

electricity. This issue would no doubt have to be discussed further and a solution found.

65. We shall give the highest importance to the development of Non Conventional Energy Sources. The Integrated Rural Energy Programme will be extended to 2 more blocks in the coming year. The Tamil Nadu Energy Development Agency (TEDA) will establish a 30 KW solar photo-voltaic power plant in 1993-94. We shall also popularise solar water heating systems.

## ROADS AND ROAD TRANSPORT

66. The total outlay on roads in 1993-94 will be Rs.330.39 crores. This is against the level of Rs.166.87 crores in 1990-91. The outlay on Roads in 1993-94 will exceed the receipts from Motor Vehicle Tax.

67. Members of the House may recall that in 1992-93 we have provided for the first time funds for the maintenance of roads in excess of the norms prescribed by the Ninth Finance Commission. **The Budget for 1993-94 includes a provision of Rs.155 crores for maintenance of roads as against Rs.125 crores in 1992-93,** thus reflecting the continued importance we have accorded for the proper maintenance and upkeep of roads.

68. Considering the inadequate maintenance of roads in the past, we had launched a **"Special Repairs Programme"** with a total outlay of Rs.150 crores over a period of 5 years. **The outlay for this programme will be stepped up in 1993-94 from the current level of Rs.30 crores to Rs.40 crores. 4,500 kms of roads will be improved in 1993-94.** The

new programme of special repairs **to roads near industrial areas launched in the current year will be continued in the coming year with an outlay of Rs.5 crores.**

69. We have launched in the current year a Rural Roads sub-project under the Tamil Nadu Agriculture Development Project with assistance from the World Bank. **We have taken up 800 kms. of roads with a total outlay of Rs.45.28 crores. This project will be implemented in the districts of Chengalpattu - M.G.R., South Arcot, North Arcot - Ambedkar, Tiruchirappalli, Thanjavur and Nagapattinam-Quaid-e-Milleth.**

70. **We have decided to launch a new programme of building "Bridges to the People". Under this programme every constituency will be allotted one bridge at a cost not exceeding Rs.5 lakhs. The total cost of this programme to cover 234 constituencies will be Rs.11.70 crores.** Members of the House will greatly welcome this new initiative which will ensure that an essential asset is created in every constituency. The Chief Minister recently discussed with the Managing Director of the World Bank the possibility of a new roads project in Tamil Nadu. She requested World Bank support for this project with a tentative outlay of Rs.500 crores to strengthen and improve about 5,000 kms. of roads.

71. We are extremely concerned about the fact that even though there is a resolution of Parliament that the additional accrual to the Central Road Fund should substantially be made available to the States for road development, the Centre has not chosen to implement this resolution. It is obligatory that these funds are made

available to the States. If these funds are made available even in phases, we can ensure rapid road development in the State. We shall continue to urge the Centre to give priority to the four laning of the Madras-Madurai and Madras-Bangalore National Highways in the State. We shall also continue to urge the Centre to upgrade the strategic East Coast Road and the Nagapattinam-Gudalur-Mysore road as National Highways.

72. Bus Transport Corporations are now facing a situation whereby a loss of Rs.125 crores has to be made good in 1993-94. This has come about as a result of the diesel price hike in Septemeber 1992. We shall urge the Centre that following the changeover to full convertibility of foreign exchange to the Rupee there should be no further increase in diesel prices. We have not yet corrected the bus fares for the last increase in diesel prices from September 1992. This is telling on the performance of the Transport Corporations.

## ENVIRONMENT

73. Protection of the environment continues to be our major concern. We are taking necessary steps to evolve a development strategy that will ensure sustainable development.

74. Tamil Nadu has been a front runner in taking measures to safeguard the environment. The Tamil Nadu Pollution Control Board has been strengthened to play an effective role in monitoring the position and safeguard the environment. **We shall establish 8 district laboratories together with buildings and necessary equipment at a cost of Rs.5 crores.** We have requested the World Bank to

support this programme. An Emergency Response Centre has already been organised at Manali. **We have decided to establish a Hazardous Waste Disposal Facility also at Manali in 1993-94.**

75. It is essential to safeguard our water resources from pollution. It is for this purpose that we have proposed a major project to protect the Cauvery from pollution. This project at a cost of Rs.332 crores is awaiting clearance by the Centre. **The Centre has already taken up major projects for the Ganga and the Yamuna. We have requested the Centre to pose the Cauvery Project to the OECF for assistance.**

76. **We are implementing a major project at a cost of Rs.10 crores to prevent all sources of pollution of the Ooty lake.** We hope to complete this project including the dredging of the lake in a period of 18 months. **We shall also implement a project to prevent pollution of the Kodaikanal lake.**

## URBAN DEVELOPMENT

77. We are implementing the Tamil Nadu Urban Development Project which is supported by the World Bank. **This project at a total cost of Rs.632 crores is to be completed in September 1995. The outlay on this project in 1993-94 will be Rs.150 crores.**

78. **A Municipal Urban Development Fund (MUDF) has been established to assist various projects in municipalities.** We plan to merge this with TUFIDCO to become the single designated agency which can be approached by all municipalities for support for all activities. This far reaching step of providing for in one window the requirements of municipal areas will I am sure be

greatly welcomed. The MUDF window will support projects with an outlay of Rs. 60 crores in 1993-94.

79. Urban Development cannot merely be the construction of various facilities. **We have to look into the situation of the urban poor. We have so far assisted 58,533 beneficiaries in urban areas through income improvement programmes. We have launched the Urban Basic Services Programme to provide essential facilities for the poor.** This programme will be implemented in 1993-94 with an outlay of Rs.3.76 crores. It will provide basic urban services to 1.3 lakh poor families.

80. We have launched a massive programme with assistance from HUDCO to convert dry latrines into water seal latrines. Under this programme it is proposed to ensure 100% coverage of all municipalities before March 1995. 27,280 latrines have been converted in 1992-93. 80,000 more latrines will be converted in 1993-94.

## MADRAS CITY DEVELOPMENT

81. We have operationalised the "Madras - Vision 2000" plan to make Madras the premier metro city in the country. The first priority is to implement the Second Madras Water Supply and Environment Sanitation Project. **This project will involve a total outlay of Rs.1,100 crores and we expect the World Bank to support this. This project will also enable us to take up the improvement of the city's water ways.**

82. A modernisation plan to improve electricity distribution in the city is being implemented with assistance from the Asian Development Bank (ADB). This involves a total outlay of Rs.225 crores. For the first time gas filled sub

stations will be established. The outlay in 1993-94 will be Rs.36.58 crores.

83. The third main component is traffic and trans portation upgradation in the city. This involves comprehensive road design and upgradation, debottlenecking and new traffic management systems. The outlay in 1993-94 will be Rs.70 crores.

84. The city faces peculiar drainage problems with high intensity rainfall and complete flooding. A comprehensive plan to improve city drainage is under formulation. We shall provide the requisite funding as soon as the technical report is ready.

85. Decongestion and suburban development have also been given the right focus. New neighbourhoods in suburban locations have been planned and are under implementation.

86. An investment of Rs.275 crores on this programme with a budgetary support of Rs.171 crores will be made in 1993-94 to make Madras a better place to live in.

## HOUSING

87. It is the goal of this Government that every family has a house of its own. We have adopted a three pronged policy consisting of making available adequate serviced layouts for new housing, a good supply of ready built houses and securing adequate housing finance. Both Governmental agencies, and the private sector have been encouraged so that the housing stock can be increased rapidly.

88. The main thrust of the Tamil Nadu Housing Board is to make available serviced sites to facilitate housing development. **The Tamil Nadu Housing Board will provide 10,000 serviced sites through various programmes in 1993-94. In addition Tamil Nadu Housing Board will also complete 10,200 houses in 1993-94.**

89. The Tamil Nadu Slum Clearance Board will cover 20,000 families under a major slum improvement scheme in 1993-94. The accelerated slum improvement scheme will cover 10,000 families. 5,000 families will be provided shelter. A special Sites and Services Project with an outlay of Rs.105 crores is being posed for support from Overseas Development Agency (ODA)to rehabilitate 55,000 families living on river banks prone to flood damage.

90. The Cooperative Housing Federation, through urban housing cooperatives will enable 10,000 houses to be built in urban areas. As for rural housing, the network of taluk level rural housing cooperatives and the **State Federation will ensure the construction of 30,000 houses in 1993-94.**

91. In the first phase of the innovative Shelter Upgradation in Rural Areas (SHUPRA) programme, we have taken up the upgradation of 30,000 houses. **We shall cover another 30,000 houses in 1993-94.** Under the various programmes that I have outlined we have been able to support the creation of new housing units for 1.1 lakh families in the current year. In the coming year we shall step up the coverage to 1.25 lakh families.

92. **We have decided to launch a 3 year programme to provide free house sites to the rural poor. At present this programme covers Adi Dravidars and Most Backward**

**Classes. The new programme will cover all rural poor. The income eligibility for free house sites is Rs.6,400 per annum. We shall increase this to Rs.9,000 per annum. We have provided in the Budget a sum of Rs.8.6 crores for this programme.**

93. An important issue in housing is the inadequate credit facilities. Housing is well recognised as an important economic activity supporting a large number of workers. We shall take up with the Govenment of India and the Reserve Bank of India the issue of allocating more credit for the housing sector.

## EDUCATION

94. The Budget provides for a total amount of Rs.1,802 crores for Education. This includes a plan outlay of Rs.74.79 crores. The outlay on Education accounts for about 22% of the expenditure on the Revenue Account.

95. **In the coming year we shall establish 305 primary schools and with this we will ensure that a primary school is available to every habitation of 500 population within one kilometre.** With the falling birth rate in the State, it is important that we redefine our priorities in the Education sector. The Chief Minister has requested the Managing Director of the World Bank to **finance a separate project for Tamil Nadu in the Education sector with its main focus on qualitative improvement in the primary school system. We have now made further improvements to the detailed project report and we hope the Central Government will obtain for us World Bank support to undertake this project with a total outlay of about Rs.1,200 crores.**

96. Having now established a primary school network to cover every nook and corner of the State, we feel the time is **appropriate to introduce new legislation to provide for compulsory enrolment and retention of children in primary schools.** This Act to replace the existing legislation, **will make it obligatory for every parent to send the child to school.** The Act will be selectively invoked to tackle the problem of drop-outs and to see that every child gets the benefit of a basic education. **Members of the House will welcome this far reaching step of introducing new legislation to secure compulsory education in the State.**

97. Consequent on the higher number of children entering the secondary school system we have to ensure adequate qualitative standards. The Budget provides for upgrading 17 Middle Schools as High Schools and upgradation of 10 High Schools as Higher Secondary Schools. We propose to launch a new scheme of community participation under which new school buildings will be constructed with 50% contribution from the community and the balance from the State Government. **We shall launch an innovative new project (CIL) under which Higher Secondary and High School students will be made computer literate utilizing the facilities being created in various Government departments.**

98. As part of the total literacy campaign the "Arivoli Iyakkam" has been extended to 12 districts so far. **In the coming year the remaining 10 districts will be covered thus covering the entire State. The total outlay on this programme to cover all districts will amount to Rs.51.63 crores and it will benefit 86.08 lakh persons.** We have also launched a post literacy movement so that the gains made

are indeed retained. Alongside with the literacy movement we have also gone **ahead to establish 625 additional libraries so that there is a library in every habitation with more than 5,000 population.**

99. We have launched in the current year the **Technician Education Project with assistance from the World Bank at a total cost of Rs.76 crores.** Under this project, 55 Polytechnics have been taken up for improvement. The Budget provides for an outlay of Rs.4.86 crores for this project in 1993-94.

100. With the pressing demand to provide more resources for school education particularly primary education, it becomes essential that there is better recovery of costs in higher educational services. Members of the House are aware that we have established the State Council for Higher Education to bring in better coordination in the activities between Universities in the State. A development grant of Rs.50 lakhs will be provided to the State Council to provide the counterpart share required for UGC supported schemes of Universities.

101. **The new Jawaharlal Nehru Stadium at Madras completed at a cost of Rs.40 crores in a record time of 7 1/2 months stands today as an outstanding example of the vision and determination of the Chief Minister.** We have decided to draw up a comprehensive sports policy for the State. The Chief Minister has emphasised that a special thrust should be given for all sports and games. We have constituted a Sports Development Authority to give a fresh impetus to sports and games activities in the State. We have decided to launch a new scheme for encouraging excellence in sports by which specially talented children will be suported from an early stage.

**We have also decided to establish one Sports Centre and Stadium Complex at a cost of Rs.60 lakhs each in the 6 districts of Pudukottai, Pasumpon Muthuramalinga Thevar, Nagapattinam-Quaid-e-Milleth, Dindigul-Anna, Ramanathapuram and Tiruvannamalai-Sambuvarayar districts.** This project will be implemented with assistance from the Centre at a total cost of Rs.3.60 crores.

## TAMIL DEVELOPMENT AND CULTURE

102. We have formed a new Directorate of Art and Culture bringing together various existing agencies. It has initiated new programmes by young talented artists in the newly renovated Museum Theatre. **A new Folk Arts Training and Research Centre will be established at Madurai.**

103. A new building to accommodate the Music Training Centre at Madurai will be constructed. **A new Music Training Centre at Coimbatore will be established.**

104. We have given special encouragement to drama troupes by allowing 50% concession to such troupes when they travel in buses to give performances.

105. A pioneering project to document our sea-faring history is under progress in association with the National Institute of Oceanography. We have taken up the renovation of the Thirumalai Nayakar Palace at Madurai. We shall also take up in the coming year the renovation and restoration of the Saraswathi Mahal and the Thanjavur Palace.

106. **As announced by the Chief Minister, Members of the House will be glad to know that the 8th World Tamil**

**Conference will be held in 1994 in Tamil Nadu. This will bring together Tamil scholars and experts from all over the World. We propose to conduct this Conference on a grand scale.**

## HEALTH AND FAMILY WELFARE

107. In the structural adjustment process, it is important that the outlay on Health particularly primary health care is protected. **The total outlay on Health and Family Welfare for 1993-94 will be a record high of Rs.554.70 crores.** The provision for medicines has been stepped up from the level of Rs.70 crores in the current year to Rs.75 crores in the coming year. **The outlay on primary health care and family welfare has been increased from Rs.137.21 crores in 1992-93 to Rs.174.21 crores in 1993-94.**

108. We have stepped up in the current year the provision for drugs and medicines in each Primary Health Centre from Rs.40,000 to Rs.50,000. **In 1993-94 the provision for drugs and medicines will be stepped up further from Rs.50,000 to Rs.75,000. This will cost an additional amount of Rs.3.37 crores.**

109. The Puratchi Thalaivi Dr. J. Jayalalitha Maruthuva Nala Thittam has been the largest health reach out programme organised any where in the country. Under this programme 9,226 camps were conducted benefiting 51.6 lakh people. **A new programme of mother and child health camps has been launched. Under this programme 1,600 camps will be held in 1993-94.**

110. With support from the World Bank we are organising a **referral service by which mothers under high risk during pregnancy will be taken to institutions for safe delivery. Under this programme we shall provide 316 vehicles to the Primary Health Centres at a cost of Rs.6.32 crores.**

111. We are implementing the Child Survival and Safe Motherhood programme with support from the UNICEF and the World Bank. **The second phase of the programme to cover Salem, Dindigul-Anna, Madurai and Kamarajar districts will be launched in 1993.** We have provided funds to ensure that every one of the 8,681 sub - centres and the attached health worker gets a proper kit and basic drugs. We shall continue to give the highest emphasis to immunisation and the prevention of diarrhoeal diseases.

112. **We shall launch in the coming year with assistance from DANIDA a Health Care Project to cover Dharmapuri, Nagapattinam-Quaid-e-Milleth and Thanjavur Districts. This project with an outlay of Rs.34.83 crores will provide upgraded primary health care services in these districts.**

113. We wish to ensure that every taluk in Tamil Nadu has at least one Government hospital with a minimum of 32 beds. **14 more Taluk Hospitals will be upgraded in 1993-94 to have a minimum of 32 beds. The completion of this programme will ensure that this basic facility is created in every taluk in the State.**

114. It is also our programme to establish a minimum of 200 beds at the district level in every district. As part of this programme we shall build a new 48 bed ward in the Government Hospital at Tiruvannamalai and a 24 bed ward in Villupuram.

115. The World Bank supported India Population Project-V has been expanded in the current year to cover Madurai, Coimbatore and 6 other municipalities. **We shall expand this programme further in 1993-94 to cover 15 more municipalities with a total outlay of Rs.13.27 crores.**

116. **We shall launch a new Blindness Control Project in 1993-94 with the support of the World Bank. This project involving a total outlay of Rs.56 crores spread over a period of 6 years will completely modernise facilities for blindness prevention and control.**

## DRINKING WATER SUPPLY

117. Provision of safe drinking water will continue to get the highest priority. The Budget makes an all time high provision of Rs.288.52 crores for water supply schemes.

118. We have already ensured that every habitation in the State has at least one protected water source. A new survey has been initiated to assess the exact water supply position. We will now provide full coverage in partially covered habitations. 37,833 habitations have to be covered on this basis. **We have launched a new sub- project under the Tamil Nadu Agricultural Development Project with assistance from the World Bank at a total cost of Rs.47.68 crores.** In the coming year the sub-project will be extended to the districts of Tiruchirappalli and Pudukkottai in addition to the districts of Salem, South Arcot, Dharmapuri and Thiruvannamalai-Sambuvarayar. 3162 habitations will be covered in 1993-94.

119. We have been allotted only Rs.20.19 crores by the Centre under the Accelerated Rural Water Supply Programme in 1992-93. With the step up announced in the Union Budget we would urge the Centre to allocate at least Rs.75 crores for Tamil Nadu in 1993-94. This will enable more rapid coverage of rural habitations. In 1993-94 we plan to tackle 4,800 partially covered habitations in all.

120. A key issue in rural water supply is proper maintenance. We have provided Rs.5.34 crores for the maintenance of hand pumps and power pumps in rural areas. We shall also install India Mark III pumps on a pilot basis in the coming year with support from UNICEF. These improved hand pumps can be maintained at the village level.

121. As on 1st April 1993, all municipalities except Padmanabhapuram have been provided with a basic water supply scheme. Works in Padmanabhapuram are in progress. Amongst municipal townships, Kathivakkam and Madhavaram will be taken up along with the Madras City water supply scheme. In 1993-94 17 urban town panchayats and 17 rural town panchayats will get new water supply schemes at a cost of Rs.24 crores.

122. The Tamil Nadu Water Supply Project implemented with support from the World Bank at a cost Rs.322 crores is to be completed by 30th June, 1993. We have requested the World Bank to extend the project till December, 1994 so that all the works taken up are fully completed. Under this project towns which experience chronic water shortage namely Pudukkottai, Tiruvannamalai, Manapparai, Sankarankoil, Kancheepuram and Pollachi will all get adequate water supply when the new schemes are completed in 1993. We propose to take up with support from

the World Bank a comprehensive new follow on project with an outlay of Rs.530 crores.

123. **We shall also take up in 1993-94 with assistance from the Centre a comprehensive water supply project at a cost of Rs.44 crores for Ramanathapuram district. The highlight of this project will be the use of desalination technology. India's largest desalination plant with a capacity of 3.8 million litres per day will be established at Sayalkudi with the assistance of BHEL.**

124. A major problem issue is the repayment of loans taken from LIC etc., by local bodies for water supply schemes. The failure of local bodies to repay these loans promptly has now led to a situation where new schemes cannot be taken up. Some improvement has resulted from the levy of appropriate water charges. This process has to be continued. We have also decided to hand over the responsibility of lending and recoveries for water supply and sewerage to TUFIDCO which will be the one stop urban financing window. Along with a scheme of debt relief for poorer municipalities, TUFIDCO will ensure prompt recoveries and repayment to the lending institutions like LIC, HUDCO etc.

125. The failure of the North East monsoon in Madras City's lake catchment has resulted in the need to implement an alternate day water supply regimen in the city. We have sanctioned Rs.24 crores to take up lorry water supply and other works to tackle the situation. **The serious water shortage in the city, highlights the special efforts taken by the Chief Minister to find a long term solution.** The Chief Minister had fruitful discussions with the Chief Minister of Andhra Pradesh on 27th January, 1993. **This has resulted in a major breakthrough.** The Chief Minister of Andhra

Pradesh has agreed that a study would be undertaken by a team of technical officers to frame the operational rules for the Telugu Ganga System in a period of 3 months. The Andhra Pradesh Chief Minister has also agreed to step up the funding for the project to ensure that Krishna water reaches Madras in June, 1995. In the light of these developments, the Chief Minister has requested the Managing Director of the World Bank to clear the Second Madras Water Supply and Environmental Sanitation Project to treat and distribute the Krishna water. **The Managing Director, World Bank has promised immediate consideration of this major project with an outlay of Rs.1,100 crores.** The Budget provides for an outlay of Rs.90 crores for executing the Telugu Ganga Project consisting of Rs.60 crores for works in Andhra Pradesh and Rs.30 crores for works in Tamil Nadu. We shall also take up in 1993-94, with the approval of the World Bank a 300 MLD water treatment plant at a cost of Rs.20 crores to treat the Krishna water. This will become part of the new project of Rs.1,100 crores to be cleared by the World Bank.

## WOMEN'S DEVELOPMENT, CHILD WELFARE AND NUTRITION

126. We have **launched an Integrated Women's Development Programme (IWDP) to provide self employment to one lakh women.** We have taken up this programme in Dharmapuri, South Arcot and Salem districts with assistance from the International Fund for Agricultural Development (IFAD). We have expanded this programme to Madurai and Ramanathapuram districts in the current year with the assurance of further support from

IFAD. The World Bank has also expressed its willingness to support this programme on a pilot basis in a few districts. We have also requested the Central Government to extend support for this programme. It will be our effort in the coming year to complete this programme. As a first stage 90,000 women have been formed into groups under this programme.

127. The Chief Minister's commitment to ensure a healthy and happy life for every girl child is well known. It is our intention to root out the heinous practice of female infanticide. The "cradle scheme" has been started with this intention. **We have also launched the Puratchi Thalaivi Dr. J. Jayalalitha Girl Child Protection Scheme. The Budget provides an outlay of Rs.4 crores for this scheme.**

128. The Budget provides for a total outlay of Rs.312 crores for the Puratchi Thalaivar Dr. M.G.R. Nutritious Noon-Meal Programme and associated programme. We have taken steps to expand and improve the coverage under these programmes. The honorarium paid to the 2,35,500 employees under this programme has been revised from 1st November 1992 at a total annual cost of Rs.3.07 crores. The service conditions of these employees have also been improved.

129. We have taken assistance from the World Bank to greatly improve the coverage of the nutrition programme in the rural areas. We have expanded the programme to provide nutrition and health care for children in the age group 6 months to 36 months. Pregnant and lactating mothers who are under risk have also been covered under the programme. Dharmapuri and South Arcot have been covered during 1992-93. In 1993-94, Coimbatore and Tiruchirappalli districts will be covered.

## WELFARE OF SCHEDULED CASTES AND SCHEDULED TRIBES.

130. Good progress has been achieved in implementing the new 10 point programme for Scheduled Castes. We shall continue this programme of self reliance and basic needs in 1993-94.

131. We have given special importance to the improvement of educational facilities. A special programme to ensure qualitative improvement has yielded good results. **The pass percentage of Scheduled Caste students in the public examination held during March-April 1992 has thereby gone up by more than 20%.** This effort will be continued. **20 new hostels will be opened in 1993-94 and 1,000 additional places in existing hostels will be created in 1993-94.**

132. Economic betterment programmes will also be given the highest priority. **This will cover 70,000 beneficiaries in 1993-94. A special programme to develop self reliant entrepreneurs has been launched. Under this programme involving a total investment of Rs.200 crores, 200 entrepreneurs will be supported.** This will include the establishment of two special industrial estates in Coimbatore and Periyar district. In each estate 100 units to be managed by Scheduled Caste entrepreneurs will be established. **A Sericulture project to ultimately cover 8,000 Scheduled Caste beneficiaries involving a total outlay of Rs.46 crores has also been launched. Another major scheme to benefit 1,000 Scheduled Caste families is the Rs.100 crores prawn farming project.** We are seeking credit support from various agencies for these imaginatively designed special projects.

## WELFARE OF BACKWARD CLASSES

133. As spelt out in the Governor's Address the Government has decided to go in for a review of the Supreme Court's direction on the reduction of the total reservation to 50 per cent and the separation of the creamy layer. This is to safeguard the situation in Tamil Nadu which has been free from all social tensions. A permanent Commission to deal with issues relating to Backward Classes will also be constituted.

134. Our main thrust will be to provide adequate educational facilities to the Backward Classes. **20 new hostels exclusively for girls will be started in 1993-94.** In the coming year we shall ensure that 66 new hostel buildings at a total cost of Rs.9.17 crores including 24 hostels for girls will be completed. We have taken action to build a new Special Training Institute in its own campus at a cost of Rs.35 lakhs in 1993-94. We have also removed in December, 1992 the income ceiling of Rs.24,000 per annum thus enabling all talented students to enter the Special Training Institute.

135. We have launched in the current year a new Backward Classes Income Improvement Programme (BIIP) through the Tamil Nadu Backward Classes Economic Development Corporation. **We have provided in the Budget an equity support of Rs.1 crore for this Corporation to take up more schemes.** We have also given proposals to the National Backward Classes Finance and Development Corporation, New Delhi for taking up many more programmes in 1993-94.

## WELFARE OF WEAVERS

136. This Government has extended the maximum support for the welfare of weavers. The scheme for supply of free dhoties and sarees to rural landless agricultural labourers and those living below the poverty line in urban areas has been implemented in 1992-93 at a cost of Rs.45 crores. **The Budget provides for an amount of Rs.45 crores to implement this programme in 1993-94. The entire production of 60 lakh dhoties and 60 lakh sarees will be entrusted to Co-optex to be undertaken by handloom weavers in the State. The Budget also provides for an amount of Rs.40.86 crores towards rebate on the sale of handloom cloth.**

137. Under the phased programme of conversion of handlooms into powerlooms, 5,000 powerlooms have been introduced in 1992-93. In 1993-94 another 10,000 powerlooms will be introduced. We have simultaneously extended a reduced electricity tariff of Re.1 per unit as against the existing level of Rs.1.75 per unit to benefit 14,000 powerloom units. In addition, under the Handloom Modernisation Scheme, 8,582 looms will be modernised with an outlay of Rs.1 crore.

138. Obtaining credit for various activities in the handloom sector has posed problems. We have therefore decided to establish a Weavers Bank. We expect to get the clearance of the Reserve Bank of India and NABARD for this initiative.

139. The Weavers Family Pension Scheme providing a pension of Rs.250 per month has been implemented by this Government from 1st January, 1992. The weavers insurance

amount has also been stepped up from Rs.10,000 to Rs.15,000. **We shall enhance our contribution to the Savings and Security Scheme for Weavers from 3 paise per rupee of wages to 4 paise per rupee with effect from 1.4.1993. 1,500 weavers houses-cum-sheds will be built in 1993-94.**

## LABOUR WELFARE

140. The new economic policy of the Centre and in particular the recent changes announced in the Union Budget will inevitably lead to the restructuring and reorganisation of industry. It is our considered view that under no circumstances should the interest of labour be affected. The Centre has recently issued the guidelines for the National Renewal Fund. We have already constituted the State Labour Rehabilitation Fund. We have requested the Centre to transfer an amount of Rs.50 crores to this Fund to enable us to look after the welfare of labour. It would now appear that each individual scheme to be supported from the National Renewal Fund would have to be cleared by the Centre. It would be more appropriate to designate the State Fund as the agency for this purpose indicating suitable guidelines.

141. Even in the midst of adverse circumstances, this Government has ensured the welfare of labour by restarting closed units. Thanks to the efforts of the Chief Minister Standard Motors and Binny Limited have started functioning. Seshasayee Industries Limited at Vadalur which has not been functioning since April, 1991 will also be restarted before the end of this month. The textile workers bonus dispute has been settled amicably.

142. Keeping in mind the increase in cost of living particularly for the **unskilled labour, the Government has decided that with effect from 1st February, 1993 all new notifications on minimum wages will provide for a daily minimum wage of Rs.20 as against Rs.15 earlier. The minimum wages for agricultural labour will also be revised shortly.**

143. **The Chief Minister has already indicated this Government's commitment to tackle the pernicious problem of child labour.** Various Committees have examined this issue particularly with reference to the match industry in Kamarajar District. Another Committee in association with UNICEF has recently studied this problem in depth. Based on the recommendations of this Committee we have decided to launch a special programme to progressively eliminate this problem in a period of 5 years. We are fully conscious of the fact that such a programme has to be realistic and positively endorsed by the people involved. It is important to note that 80 per cent of such child labourers are in fact girl children. It is therefore all the more important that we should make an immediate start.

This programme will consist of 4 key elements

* Following the enactment of a new law on compulsory education, it will be made legally binding for every parent to send the child to school rather than to work.
* All hand made match units enjoy sales tax exemption. We shall consider continuing this exemption only if they progressively reduce child labour in a specified time frame.

* A special programme of social mobilization, communication and community awareness will be facilitated so that there is growing social consciousness against this practice.

* A new programme will be launched in this area for the economic betterment of women.

144. Hon'ble Members of this House will welcome this strategy to ensure that the practice of child labour is progressively abolished in this area. With the success of this experiment, we shall tackle this problem in other locations where concentrations of child labour are found.

## SOCIAL SAFETY NET FOR THE POOR

145. Among all programmes this Government has given the highest importance to the provision of a social safety net for the poor. It has been the systematic effort of the Government to ensure that the outlays for the poor are not only protected in nominal terms but also improved in real terms despite the difficult financial situation. We shall continue to ensure that the standards of living of the poor are improved. I am glad to announce that despite the severe financial strain, **the social safety net for the poor in the Budget for 1993-94 will amount to an all time high of Rs.1,400 crores. This compares very well with the level of Rs.990 crores in 1991-92.**

146. The main components of the social safety net which we have organised for the poor are :-

* Food Security

* Nutrition

* Primary Health Care and Medicines for the poor
* Special Inputs to Secure Universal Primary Education
* Social Security Measures
* Employment Generation for the Poor
* Basic Drinking Water
* Housing and Shelter for the Homeless
* Special Programmes for the Weaker Sections.

147. The total outlay in 1993-94 reveals a major step up over the outlays in earlier years. This indicates the firm resolve of this Government to protect the poor in real terms in the middle of the structural adjustment process despite extremely difficult financial conditions.

## CREDIT PLAN

148. The Centre has undertaken measures to improve the functioning of the financial sector of the economy. We hope that the strengthening of the capital base of nationalised banks and public participation in their equity will be done in such a way that there will be no dilution in the social control of nationalised banks. **We would also urge that the assurance given that 40 per cent of the credit will go to priority sectors be observed without any change in the future.**

149. NABARD has drawn up potential linked plans for each district in the State and this forms the basis for the District Credit Plan. We shall strengthen this process by ensuring adequate infrastructure support for credit activities.

The District Decentralised Plan which is being launched from 1993-94 will have a sub-component to provide for infrastructure support for credit activities which benefit the poor. This change will bring about a better convergence of credit flow and development expenditure for the benefit of the poor.

150. The Credit Plan for the year 1993-94 will exceed Rs.2,500 crores. We will have to ensure adequate flow of credit to farmers both to cover the increased cost of inputs and also to secure higher capital investment in agriculture. It will be our endeavour in consultation with NABARD and the banking system to provide for this.

## EMPLOYMENT

151. The employment strategy we have developed takes note of the trend in employment as revealed by the 1991 Census. The first part of this strategy is to accelerate the growth in the primary sector. We shall promote a "growth for better incomes" policy in the primary sector. We shall launch in 1993-94 a major thrust in the rural non-farm sector as a means of diversification in co-ordination with NABARD. In addition, in order to provide adequate income to agricultural labour we shall provide large scale employment through the Jawahar Velai Vaippu Thittam which will continue to be implemented in 1993-94. This will provide 672 lakh man days of employment. **Members of the House are aware that we have launched the Programme for Assured Employment (PAE) in January, 1993. This is a State scheme which has been taken up in Dharmapuri, Pasumpon Muthuramalinga Thevar, Pudukottai and Ramanathapuram Districts. We shall extend this programme to**

**Tiruvannamalai- Sambuvarayar District in the coming year. The Budget provides for a separate allocation of Rs.15 crores for this programme.** We have also sought the support from the Centre under the National Renewal Fund for this programme.

152. In the secondary sector, the various plans and programmes I have already outlined will provide a major boost for new activities. In particular new initiatives we have taken for industrial development will begin to yield results generating new employment. We have also given a big boost to housing activity in the State as a means of increasing employment in the construction industry. We have launched the Rural Industries Sub-Plan (RISP) as a means to promote widespread mass employment. This is to provide gainful employment to one lakh persons. We have exceeded the target in the current year by assisting 1.39 lakh persons. This programme will be continued in 1993-94.

153. The tertiary sector is showing good growth. However, the problem of educated unemployment has to be tackled. In the long run economic growth alone can generate gainful employment. It is our policy to accelerate the growth process in the State. In the meanwhile, as a means of involving the educated unemployed in socially useful work, we have launched **a new programme under which both non-formal education and prohibition propaganda work will be undertaken.** The existing programme of unemployment relief will be improved and young men and women will be involved in this socially useful programme. **1.5 lakh youth will participate and they will be given a 50 per cent increase over the present level of honorarium under the existing scheme.** This honorarium will be paid as an amount per

child taught. All graduates, Higher Secondary and SSLC passed persons who have been registered in an employment exchange for more than 5 years and have not been recipients of the relief amount for the full period of 3 years in the past will be eligible to enter this scheme. **The Budget provides Rs.20 crores for this new programme.** This massive programme will be not only socially useful but also provide gainful work to the educated unemployed.

## BENEFITS TO GOVERNMENT EMPLOYEES

154. We have followed consistently a fair policy in the conditions of service of Government employees. Despite the extremely difficult financial situation prevailing in the current year, we have taken a sympathetic view on the several requests made by Govrnment employees. The Chief Minister has had detailed discussions with various employees'associations and announced far reachingmeasures to improve their emoluments and service conditions. As a result of these discussions anomalies following the implementation of the Fifth Pay Commission's recommendations have been finally resolved. A liberal view has been taken by theGovernment to ensure a smooth transition from the earlier State Pay Scales to the Central Pay Scales. This transition has now been successfully completed. Several major new promotion schemes have been introduced to motivate employees to give their best.Thecost of these measures has amounted to Rs. 50 crores per annum.

155. At the time of the discussions with the Government employees'associations, the Chief Minister had indicated that an improved scheme of House Rent Allowance would be announced in this Budget.The Central Government employees' House Rent Allowance Scheme is very restrictive in its scope,

being limited to the municipal limits but with higher rates. If we adopt the Central Government Scheme in its entirety it would mean withdrawal of existing benefits to employees living in belt areas outside the main city. We have therefore decided to continue the existing State Scheme of House Rent Allowance but at the same time to improve the rates to provide additional benefits. Accordingly, the Scheme will be revised as below:

| Area | Existing Rs. | | Revised Rs. | |
|---|---|---|---|---|
| Category I | Min. | Max. | Min. | Max. |
| Madras City | 65 | 515 | 125 | 800 |
| Madurai and Coimbatore Cities | 50 | 300 | 75 | 450 |
| Category II | | | | |
| District Headquarter Towns | 40 | 225 | 60 | 350 |
| Category III | | | | |
| Taluk Headquarter Towns | 25 | 125 | 40 | 350 |
| Category IV | | | | |
| Unclassified towns now categorised as eligible for Rural Compensatory Allowance | 20 flat rate | | 30 | 100 |

This new package of improved house rent allowances will result in anextra cost of Rs. 33 crores per annum.

156. There is a large backlog in the requests for house building advance from Government employees. We have decided to enhance the allotment for house building advance from Rs. 25 crores in 1992-93 to Rs. 34.5 crores in1993-94. This large step up will considerably help the clearance of the pending applications. In addition, we have also tied up financing from public sector financial institutions for a total of Rs. 30 crores. We shall ensure that this additional amount is also made available shortly. This massive enhancement in provisions for house building will enable quick clearance of most of the pending requests.

157. In view of the increased costs involved in higher education, we have decided to improve the scheme of Educational Advance to benefit the children of Government employees. At present an interest free educational advance of Rs. 750 is given in the case of children studying in Polytechnics. This will be revised to Rs. 1000. In respectof children studying in arts and science colleges, the advance at presentis Rs. 1500. This will be increased to Rs. 2000. We shall also introduce a new category of students studying in professional colleges. The educational advance for this category will be Rs. 2500 as against Rs. 1500 at present. This improved scheme will involve an additional outgo of Rs. 1 crore.

158. We have already introduced the Health Fund Scheme to provide support to Government employees in the event of serious medical problems. At present a maximum amount of Rs. 25,000 is given as a grant for specified surgeries undertaken in the country. In view of the fact that medical costs have gone up considerably and also to lessen the burden on the

family we have decided to increase this limit to Rs. 50,000 or 75%of the actual cost of surgery whichever is lower.

159. At present the blind and orthopaedically handicapped employees are paid a conveyance allowance at 5 percent of their basic pay subject to a maximum of Rs. 50 per mensem. We have decided to increase the maximum limit of this allowance from Rs. 50 to Rs. 75 per mensem.

## FINANCIAL POSITION

1 60. I now turn to the harder task of finding the resources to undertake the ambitious plans and programmes which I have outlined. Members of the House may recall the extremely difficult and structurally complicated financial situation we were faced with when this Government assumed office. Since then developments in the national economy and the chain of increases in administered prices have made our task extremely difficult. We could under no circumstances allow any real decline in the standard of living of the poor. At the same time we took it on ourselves to impart a new momentum to the development efforts in the State. We have succeeded both in 1991-92 and again in 1992-93 in meeting these twin objectives.

161. Even so, we have to contend with the structural complexities of Tamil Nadu's finances consisting of inadequate new tax potential, low cost recovery on services rendered, adherence to the prohibition policy involving substantial loss of revenue, an extremely high subsidy commitment and a large pool of Government manpower. We hope to get some relief from the Tenth Finance Commission's recommendations. Until then the financial

situation is likely to continue to be difficult. We shall do our very best so that the twin objectives of protecting the poor and ensuring the rapid development of the State are furthered.

## BUDGET ESTIMATES

162. The Budget Estimates for 1992-93 indicated total revenue receipts at Rs.6446.54 crores and revenue expenditure at Rs.7255.27 crores resulting in a revenue deficit of Rs 808.73 crores. Taking into account the net effect of transactions in other accounts in 1992-93 at Rs.217.62 crores and the opening deficit of Rs.401.47 crores, the overall deficit was expected to be Rs. 619.09 crores.

163. The Revised Estimates for 1992-93 indicate total revenue receipts of Rs.6661.20 crores and revenue expenditure of Rs.7669.82 crores, leaving a revenue account deficit of Rs.1008.62 crores. It may be noted that the deficit in the revenue account has widened further. Together with the opening deficit of Rs.241.41 crores and the net effect of transactions in all accounts, the closing deficit at the end of 1992-93 is now estimated at Rs.275.94 crores.

164. According to the Budget Estimates 1993-94, revenue receipts are estimated at Rs. 6989.89 crores and revenue expenditure at Rs. 8300.87 crores, resulting in a revenue deficit of Rs.1310.98 crores. The net effect of transactions in all accounts in the Budget Estimates 1993-94 will be a deficit of Rs. 359.95 crores. Adding to this the anticipated closing deficit of Rs. 275.94 crores in Revised Estimates 1992-93, the overall total deficit at the end of 1993-94 will be Rs. 635.89 crores.

165. Our strategy has been to tide over the extremely difficult short term financial situation by taking recourse to additional borrowed funds. We have had to do this as otherwise the axe would have had to fall on the allocations for the poor. We have not received any additional Central support despite our earnest plea indicating the difficult financial situation we have had to face immediately after assumption of office. In addition, we have had to face the situation posed by cyclone and floods in November 1992 resulting in heavy extra expenditure. We have also had to contend with the chain of increases in administered prices by the Centre, which has worsened the State's fiscal situation. It has been an uphill battle where every step forward in improving the State's finances has been countered by the national macro economic changes with adverse impact, over which we have had no control. It can be said with absolute certainty that, despite all the odds stacked against us, we have been able to put through a creditable programme of planned development and at the same time we have extended the best social safety net for the poor in the country.

## EXPENDITURE POLICY

166. While we are proud of this achievement we would necessarily have to take some steps to set right the financial situation in the medium term. Our main concern is that the revenue account deficit is widening considerably reflecting the need to hold back the growth of revenue expenditure. The sharp increase in debt service costs also points to the need to take steps to slow down the growth in revenue expenditure. In the recent past due to inflationary pressures in the economy we have had to contend

with very large increases in expenditure. It is to be hoped that with the slow down in the rate of inflation we shall find some relief. At the same time our effort would have to be to undertake a continuous exercise by which the expenditure growth in the revenue account can be kept under control and brought down below the revenue growth.

167. We have therefore set out an expenditure policy statement with a view to secure some deceleration in the growth of expenditure. This policy would involve a three pronged approach. Firstly, we have to continue the process of securing efficient performance of various Government departments. We shall continue the Ze-BAG (Zero Baseline Budgeting for Accelerated Growth) exercise to secure better and more efficient functioning of Government departments. We have already taken up this exercise in 20 departments and it has been possible for us to redeploy and utilise existing resources for new activities. Unproductive expenditure will be identified and savings will be ensured. The second part of this strategy would be improve the returns for various Government services. We would have to improve the charges levied on higher education, high level medical care for the non-poor and other commercial activities of the Government. In addition fees and fines will be revised suitably. This will cover unauthorised occupation, leases and other charges for services rendered. Thirdly, in a situation of scarce resources, it is all the more important that the really deserving alone get the benefits. The poor and needy should not suffer because others tend to corner scarce resources. We shall so modify programmes as to ensure that the poor and needy get the benefits.

168. We are hopeful that the measures which I have outlined and on which we have already taken action will yield good results in 1993-94. We have set ourselves a target of mobilising Rs.95 crores by undertaking the various steps that I have outlined.

## TAXES

### Sales Tax

169. The Finance Minister has inevitably to look at Sales Tax to find some way of bridging the large deficit. This time I have chosen not to do so but instead we have decided to go in boldly for a major package of reform. We have the benefit of the detailed report of the High Power Sales Tax Reforms Committee headed by Thiru B. Vijayaraghavan, I.A.S. This report contains very many recommendations, some of which have a major revenue impact and some of which involve significant procedural changes. The recommendations suggesting revenue changes would have to be implemented as one package and involve a net positive revenue impact. This would also involve complete removal of all exemptions to all goods and institutions and a major step up in the levy of additional sales tax including a change over to total turn over instead of taxable turn over. The Committee has also recommended changes in the exemption limit, grouping of rates, merger of surcharge and additional surcharge with basic tax and further extension of concession for raw materials used in manufacturing goods, etc. We have given careful thought to the several recommendations made. In a non-inflationary situation it may have been appropriate to implement the whole package including withdrawal of all

exemptions. Further, given the fact that domestic industry has to become cost competitive and quality conscious, this would not be the appropriate time to increase the tax burden. Keeping these facts in mind we have decided to implement some key recommendations which together will constitute a major package of tax reform.

170. At present under Section 3(1) all items which do not figure under specific Schedules are taxable at 8 per cent. We have decided to completely do away with this section and instead bring in more items specifically under Schedule I and also add a residuary entry under Schedule I to cover all other items not specifically defined in the Schedule. This is a major reform following which raw materials used in the manufacture of items coming under the residuary entry will be entitled to the concessional tax of 3 per cent under Form XVII. This is a significant measure to bring down production costs in industry. Simultaneously, we shall expand Section 3(3) to exclude besides Naphtha and Molasses, items such as Mineral Oils (Present entry 157), Lubricating Oils (present entry 156), Gases (present entry 106).

171. As a further step towards decreasing the cost of manufacture, we have decided to extend the concessional rate of tax at 3 per cent under Section 3(3) to packing materials, labels and consumables used in manufacture. These materials used in manufacture will be eligible for the concessional rate of 3 per cent under Form XVII.

172. At present, only under Section 3(1) are dealers eligible for Sales Tax exemption up to a total turn over of Rs.1 lakh. This benefits only some dealers. We have decided to make available this exemption to all registered dealers with a total turn over of less than Rs. 1 lakh under the

Tamil Nadu General Sales Tax Act, irrespective of the Schedule under which the goods fall. Of a total of 1.50 lakh dealers assessed, this will benefit 60,000 dealers presently dealing in Schedule I goods. I am sure industry and trade will welcome this major reform doing away with assessments for a large number of traders. Consequently, the time and energy of the department will be free to concentrate on large cases.

173. At present under the self assessment scheme only 6,000 dealers have been benefitted. We have decided to liberalise the procedure so that more dealers can avail of the facility. We anticipate that with the liberalised procedure an additional 68,000 dealers will be benefitted.

174. Following the recent judgement of the Supreme Court and also the Madras High Court on the levy of Sales Tax on works contracts, it has become necessary to bring in certain amendments to set right the deficiencies indicated by the Courts. Thus all TNGST suffered goods used in works contracts will be exempt from tax. Simultaneously, while the rates existing in Schedule IV will continue till 11th March 1993, in future, all the taxable goods in works contracts will bear the same rates as if they were sold, that is, the same rates as in other Schedules. Since works contracts do not involve manufacture and full exemption for TNGST suffered goods is provided, goods in works contracts will not be eligible for the concessional rate under Section 3(3) using Form XVII. We shall bring in the necessary amendments in this Session. In addition we have also decided to extend the facility of a compounding provision on an optional basis in respect of civil contracts. The compounding rate of tax will be 2 per cent for civil contracts. This will considerably simplify the levy of the

tax in respect of civil contracts. A similar provision exists in Karnataka and Gujarat.

175. We have also decided to simplify the levy of Sales Tax on leasing transactions. Goods which have already suffered tax locally under TNGST will not suffer tax again when on lease. As in the case of the modification brought in respect of works contracts, till 11th March 1993, the existing rates of tax on leasing will be applicable and in future taxable goods under leasing contracts will bear the same rates as if they were sold, that is the same rates as in other Schedules.

176. Another important recommendation of the Committee is that all exemptions to goods and institutions should be completely removed. This has been suggested by the Committee as a revenue raising measure and also to bring to account all turnover. The total yield anticipated from the withdrawal of these exemptions is Rs.68 Crores. In a tax simplification process this suggestion has great merit. It will also bring to assessment the turnover involved and this expands the tax base. Many of the exemptions have also been given at various points of time, some without adequate justification. Even so, as the list includes some items of common use like paddy, rice wheat, cumbu, ragi, cholam, common salt etc., we have decided to refrain from withdrawing these exemptions. We have to go into this in further detail to bring to tax such of those items which do not merit exemption. Members of the House may note that this decision means that we do not tap the revenue potential of Rs.68 crores per annum. We have taken this decision keeping in mind the need to hold the price line.

177. Another main recommendation of the committee is to categorise all goods into major groups attracting 13 different tax rates. At present there are 17 tax

rates in operation. The Committee has also suggested that while regrouping, the surcharge and additional surcharge can be merged with the basic tax suitably increasing the basic rate. We have given careful thought to these recommendations. The recommendation to reduce the number of tax rates by grouping the goods is a welcome suggestion. At the same time the suggestion on merging surcharge and additional surcharge as part of this process, resulting in a higher tax burden consequent on upper rounding will lead to an across the board increase in prices of all goods. Further, the revenue from the surcharge is partly given to local bodies and the additional surcharge is being utilized to finance the Madras City Water Supply Scheme. We have therefore decided to defer this recommendation regarding merger of surcharge and additional surcharge with the basic tax. At the same time we have decided to implement an even more comprehensive grouping of all goods and simplification of tax rates.

178. As against the present number of 17 tax rates and the recommendations of the Committee to bring it down to 13 we have decided to go in for a much simpler system of just 5 rates, plus 4 additional rates for a few specific goods. All goods coming under Schedule I and Schedule VI will hereafter be subject to tax under any one of these 9 categories. The tax rates in future will be: (in percentages)

1, 3, 5, 8, 12, 16, 20, 25, and 50.

The grouping has been undertaken keeping in mind the nature of goods such as articles of mass consumption used by the poor, raw materials and other common articles, intermediates, machinery, goods used by middle income groups, luxury goods,special goods and foreign spirits. This will be one of the most comprehensive reforms of the tax system undertaken by

any State. We have gone into this without worrying about revenue considerations. In this major process of regrouping the rate of tax will be brought down in respect of many goods. A few goods may suffer a slightly higher tax in view of the regrouping. This is the boldest tax reform being undertaken since 1959. The regrouping and rationalisation should therefore be viewed not as a revenue measure but as a major tax reform effort.

179. The detailed revised schedules with the new rates to take effect from 12th March 1993 are being notified separately to-day. As the list involves nearly 200 goods it is not possible for me to indicate each and every item following the regrouping and the revised rates. I shall only like to illustratively indicate the main items where tax rates havebeen brought down and the marginal increases in respect of a few other goods. Members of the House will be glad to know that the tax rates are being brought down in respect of the following goods:

| Name of item | Existing Rate (percent) | Revised Rate (percent) |
|---|---|---|
| Turmeric | 4 | 3 |
| Chillies | 4 | 3 |
| Coriander | 4 | 3 |
| Soap nut | 4 | 3 |
| Tamarind | 4 | 3 |

| Name of item | Existing Rate (percent) | Revised Rate (percent) |
|---|---|---|
| Pepper | 4 | 3 |
| Jaggery, Gur | 6 | 3 |
| Vanaspathi | 8 | 5 |
| Groundnut oil | 4 | 3 |
| Coconut oil | 4 | 3 |
| Gingilee oil | 4 | 3 |
| Refined oil | 4 | 3 |
| Wheat products | 4 | 3 |
| Kerosene | 4 | 3 |
| Coffee seeds | 6 | 5 |
| Coffee Powder | 6 | 5 |
| Instant Tea | 6 | 5 |
| Kaskasa | 8 | 5 |
| Nut meg (Jathikkai) | 8 | 5 |
| Jeera | 6 | 5 |
| Hand made soap | 4 | 3 |

180. Members of the House will, I am sure welcome this reform which reduces the tax rates in respect of a wide rangeof commodities used by the poor.

181. Apart from the above products of household and daily use we shall also bring down the rates in respect of a wide range of many other goods used by the people. This would include:

| Name of item | Existing Rate (percent) | Revised Rate (percent) |
|---|---|---|
| Drugs and medicines | 6 | 5 |
| Plastic products | 6 | 5 |
| Aluminium utensils | 4 | 3 |
| Bricks | 4 | 3 |
| Dry Cells | 9 | 8 |
| Gunnies | 5 | 3 |
| Blood donor set | 8 | 5 |
| Intravenous set | 8 | 5 |
| Surgical Instruments | 10 | 5 |

182. Further, as part of the rationalisation process, we shall also reduce the rates of tax in respect of some industrial products. This will include:

| Name of the item | Existing Rate (percent) | Revised Rate (percent) |
|---|---|---|
| Tools | 10 | 8 |
| Motors | 10 | 8 |

| Name of the item | Existing Rate (percent) | Revised Rate (percent) |
|---|---|---|
| Raw films (Cine) | 6 | 5 |
| Cotton Waste | 6 | 5 |
| Conduit pipes and fittings | 10 | 8 |
| Motor Vehicle tyres and tubes | 9 | 8 |
| Machinery | 10 | 8 |
| Welding electrodes and rods. | 10 | 8 |
| Jute twine | 8 | 3 |

183. As I have already mentioned it is inevitable that such a major regrouping of goods will also involve some upward revision in respect of a few goods. We have reduced the rates in respect of a large number of goods of common use and at the same time we have made some upward revision of goods used mainly by affluent classes.

184. We have ensured that the tax on Kerosene has been reduced. There will be no change in the tax on diesel. As part of the rationalisation process the tax on petrol will be raised from 18 per cent to 20 per cent as in Kerala and Karnataka.

185. I would also like to mention an illustrative list of items where the rates are being revised upwards.

| | Existing Rate (percent) | Revised Rate (percent) |
|---|---|---|
| Refrigerators | 15 | 16 |
| Floor and Wall tiles | 15 | 16 |
| Lifts | 15 | 16 |
| Marble and marble articles | 15 | 16 |
| Diamonds | 10 | 12 |
| Scents / Perfumes | 15 | 16 |
| Paints and Distempers | 10 | 12 |
| Airconditioning Plants | 15 | 16 |
| Air purifiers | 15 | 16 |
| Vehicle Chassis | 6 | 8 |
| Chinaware | 10 | 12 |
| Pile Carpets | 15 | 16 |
| Ivory articles and inlaid ivory | 10 | 12 |
| Motor car | 5 | 8 |
| Rifles and Revolvers | 15 | 16 |
| Duplicating Machines | 15 | 16 |

186. Another simplification we have brought in is to charge spares and accessories, at the same rate applicable to the basic goods subject to a few exceptions.

187. The revised rates of tax in respect of all goods, consequent on the major regrouping we have undertaken are being notified today to take effect from 12th March, 1993. A copy of the notification is placed on the table of the House. The revised rates indicated in respect of individual goods in the notification may be taken as read by me and considered as part of the speech. I am confident, Members of the House will fully endorse this historic tax reform that we have undertaken.

188. The Committee has made major recommendations relating to the levy of Additional Sales Tax. It has recommended the levy of a flat rate of 3% on total turnover. We have decided to defer this proposal for a major upward revision of Additional Sales Tax as there could be a consequential upward revision of prices. We have instead decided to give some relief particularly to smaller dealers and manufacturers. We have also decided to modify the tax slabs keeping in mind the major revisions in turnover that have taken place. We shall exempt the first Rs.10 lakhs of taxable turnover in respect of all dealers having taxable turnover of less than Rs.1 crore. This measure which will benefit smaller dealers and manufacturers and will also discourage suppression of turnover at the crossover point of Rs.10 lakhs. The existing rates and tax slabs are as below:-

| Taxable turnover per annum | Existing rate of Additional Sales Tax (percent) |
|---|---|
| Rs.0 - 10 lakhs | Exempt |
| Rs.10 lakhs - 40 lakhs | 1.25 (on entire taxable turnover) |
| Rs.40 lakhs - 1 crore | 1.5 |
| Rs.1 crore - 5 crores | 2 |
| Rs.5 crores - Rs.10 crores | 2.25 |
| Above Rs.10 crores | 2.5 |

The revised tax slabs and rates will be as below:

| Taxable turnover per annum | Revised Rate of Additional Sales Tax (percent) |
|---|---|
| Rs.0 - 10 lakhs | Exempt |
| Rs.10 lakhs to Rs.1 crore | 1.5 (Uniform exemption for first Rs. 10 lakhs will be given in this slab only) |
| Rs.1 crore to Rs.5 crores | 2 |
| Rs.5 crores to Rs.10crores | 2.25 |
| Rs.10 crores to Rs.300 crore | 2.5 |
| Above Rs. 300 crores | 3 |

189. This modification of the levy of Additional Sales Tax has been made after careful consideration taking note of the fact that small dealers and manufacturers should be given some relief and there should be more transparent accounting at the Rs.10 lakh turnover point. We have also given careful consideration to the question of dispensing with the provision regarding passing on the additional sales tax to the consumers. When our effort is to bring down prices it would not be appropriate at this juncture to allow any scope for upward movement of prices. We have therefore decided to defer consideration of this question. The revised slabs and rates of Additional Sales Tax will take effect from 1st April, 1993.

190. We have decided as part of this major tax reform to also amend the entries in Schedule II and III bringing these entries in line with similar descriptions in the Central Excise Tariff Act 1985. However, there will be no change in the rates in these Schedules. Suitable notifications will be issued in due course.

191. It will be apparent that our effort is to undertake significant tax reform and simplify matters and also reduce the tax burden for the poor. We shall therefore have to be extremely vigilant on tax evasion. It shall be our endeavour to prevent tax evasion and eliminate the leakages. As part of this effort we have decided to expand Schedule VI to include a few items which are evasion prone. The new items to be included under Schedule VI and the tax rates are aerated water and bottled or packed soft drinks at 8 per cent, ice-creams and ice fruits at 12 per cent and shampoos at 16 per cent. In order to prevent any cascading, the values that suffer tax at the first point will be set off at the second point.

192. The Supreme Court has since held that a Section similar to the earlier Section 3(4) of the Tamil Nadu General Sales Tax Act is valid. Therefore, we propose to reintroduce Section 3(4) whereby when raw materials are purchased within the State under Form XVII and the finished product is consigned out of the State, the raw materials will be charged an extra 2 per cent.

193. There are several other procedural and rationalisation changes suggested by the Committee including rationalisation of penalties. We have examined these recommendations and have decided to implement most of them with effect from 12-3-1993. We shall bring forward the necessary amendments in the current Session to give effect to these changes.

**Entry Tax**

194. The current rates for Entry Tax on Motor Vehicles also require rationalisation and modification, keeping with the rationalisation and modification of the rates of tax on motor vehicles under the Tamil Nadu General Sales Tax Act, 1959.

The existing rates are as below:

| Sl. No. | Category | Existing Rate of tax (percent) |
|---|---|---|
| 1. | Motor car | 10 |
| 2. | Motor taxi cabs | 20 |
| 3. | Motor Omni Buses | 12 |

| | | |
|---|---|---|
| 4. | Chassis of motor vehicles | 10 |
| 5. | Bodies built on chassis of motor vehicles | 12 |
| 6. | Auto rickshaw | 12 |
| 7. | Motor cycles, Motor Scooters, Motorettes, Mopeds (irrespective of engine capacity) | 8 |
| 8. | Light Motor Vehicles as defined in the Motor Vehicles Act,1988 | 12 |
| 8A. | Tractors of all kinds | 7 |
| 9. | Truck/Bus/Motor Lorries | 12 |
| 10. | Jeep | 12 |
| 11. | Tankers built or meant for mounting on chassis of motor vehicles | 20 |
| 12. | All kinds of Trailers | 12 |
| 13. | Any other motor vehicles not specifically mentioned in S.Nos (1) to (12) above | 20 |

195. The revised rates will be as below with effect from 12th March, 1993.

| Sl.No. | Category | Proposed Rate of tax(per cent) |
|---|---|---|
| 1. | All Two-wheelers and Three-wheelers All three-wheeler chassis and Bodies built thereon | 9 |
| 2. | All cars, taxi-cabs, light motor vehicles, trucks, buses, jeeps, motor lorries, chassis of such vehicles and on all bodies built on chassis and on all trailers of these vehicles | 13 |
| 3. | All tractors and trailers | 6 |
| 4. | All scrapers, loaders, dumpers and all heavy earth moving machinery and road-rollers. | 9 |
| 5. | Tankers built, or meant for mounting on motor vehicles | 20 |
| 6. | All other vehicles not specifically mentioned in Sl.No.1 to 5 | 20 |

## Profession Tax

196. We have introduced a new legislation bringing together all the provisions relating to the levy of tax on professions, trades, callings and employments. This tax is levied as provided for in the Constitution. Such a separate Act for the levy of profession tax exists in Karnataka and

Maharashtra etc. There is nothing new in this levy. What we have done is to codify and consolidate the provisions in an unified manner in the new law and also revise the rates taking note of the Constitutional amendment increasing the ceiling on the tax to Rs.2,500 per annum. There can be no going back on the levy of profession tax as provided under the new law. It should also be observed that this tax in Tamil Nadu is entirely collected by local bodies to finance services provided by them .

197. Several trade associations and dealers have represented that small traders should be given some concessional rate of tax as extended to other categories. Issues relating to the levy of the tax have been discussed with the trade associations. Following these discussions we have decided to modify the rate of tax under item 8 of the schedule to the Act. Dealers registered under the TNGST Act will be subject to tax as below:

| | Rate of tax per half year (in rupees) | |
|---|---|---|
| | Minimum | Maximum |
| All registered dealers with an Annual turnover of less than Rs10 lakhs | 240 | 360 |
| All registered dealers with an Annual turnover of more than Rs10 lakhs. | 500 | 840 |

198. It has also been represented that the power of inspection of accounts, documents and search of premises under Section 19(1) and Section 21 of the Act should not be misused. In view of the flat rates of tax now being charged for most of the dealers such inspection may not at all be required provided there is good compliance. Government will ensure that this power if at all used, will be at a senior level.

199. Lawyers have represented for some relief. We have decided to revise the tax rate as below:

| | ExistingRates Per half year | | Revised Rates (in Rs.) | |
|---|---|---|---|---|
| | Min. | Max. | Min. | Max. |
| Less than two years standing in profession | 50 | 100 | 30 | 90 |
| 2 to 5 years | 200 | 500 | 90 | 300 |
| 5 to 10 years | 750 | 1250 | 300 | 600 |
| 10 years and more | 750 | 1250 | 600 | 900 |

200. In respect of Practitioners of Ayurvedic, Homeopathic, Siddha and Unani Systems of medicine under item 2(c) of the schedule to the Act the existing rates and the revised rates will be as below:

| | Existing Rates per half year | | Revised Rates per half year | |
|---|---|---|---|---|
| | Min. | Max. | Min. | Max. |
| Less than two years of standing in the profession | 50 | 100 | 30 | 90 |
| 2 years and more and less than 5 years | 100 | 150 | 90 | 120 |
| 5 years and more | 200 | 300 | 120 | 240 |

201. Likewise in respect of the Allopathic Medical Practitioners also we have decided to extend some relief.

| | Existing Rates per half year (in Rupees) | | Revised Rates per half year | |
|---|---|---|---|---|
| | Min. | Max. | Min. | Max. |
| Less than two yeas of standing in the profession | 100 | 750 | 90 | 270 |
| 2 years or more less than five years | 500 | 1250 | 270 | 540 |
| 5 years to 10 years | 750 | 1250 | 540 | 660 |
| 10 years and more | 750 | 1250 | 660 | 960 |

202. Under Item 5 of the schedule to the Act all Directors in Companies under Companies Act have been brought under one group. It has been pointed out that there are part-time and whole-time Directors. We have therefore decided to have separate rates as below:

| | ExistingRates per half year (in Rupees) | | RevisedRates per half year | |
|---|---|---|---|---|
| | Min. | Max. | Min. | Max |
| Part-time Directors | 1000 | 1250 | 240 | 480 |
| Whole-time Directors | 1000 | 1250 | 960 | 1020 |

203. We have decided to give some reliefs to Junior Artists, Production Managers, Assistant Directors, etc; as per Entry 7(c) in the schedule of the Act. The rates will be amended as below:

| | Existing Rates per half year (in Rupees) | | Revised Rates per half year | |
|---|---|---|---|---|
| | Min. | Max. | Min. | Max. |
| Jr. Artists, Production Manager, Assistant Director, etc. | 1000 | 1250 | 300 | 720 |

204. Under Item 14 of the schedule in respect of holders of permits on Lorries/Trucks or Buses, a single rate has been specified. The request is for a graduated rate based on the number of vehicles. We have decided to accept this request. The revised rate is as below:

| | Existing Rates per half year (in Rupees) | | Revised Rates per half year | |
|---|---|---|---|---|
| | Min. | Max. | Min. | Max |
| Holders of Permits:<br>Lorry/Truck/Bus<br>For one vehicle | 1000 | 1250 | 300 | 480 |
| More than one vehicle and upto 3 vehicles | 1000 | 1250 | 480 | 720 |
| More than 3 vehicles | 1000 | 1250 | 720 | 1020 |

205. There have been several representations that partners of a firm should be fully exempted. This issue has also been raised in this House. The Profession Tax on professions, trades, callings and employment is a small tax with a wide base. In other States like Maharashtra and Karnataka partners are liable to tax. We have decided to go into this question in detail separately. However we have decided that the partnership firm may be liable for the tax instead of the partners. The minimum tax per half year on each partnership firm will be Rs.840 and the maximum will be Rs.960.

206. Profession Tax will also be levied on Pawn Brokers licenced under the Tamil Nadu Pawn Brokers' Act 1943. A new entry to provide for this will be introduced. The minimum rate of tax per half year will be Rs.840 and the maximum rate per half year will be Rs.1,020.

207. The maximum tax rate in the highest slab in each category will also be uniformly fixed at Rs.1020 per half year.

208. All these changes in the rates will take effect from 1.4.92 and necessary amendments to give effect to these changes will be brought forward in this Session.

## Agricultural Income Tax

209. Members of the House may recall that in our first Budget, we had completely exempted non-planatation crops from Agricultural Income-Tax. We had also rationalised the tax on planatation crops. We have decided to give further relief to plantation growers by increasing the exemption limit from the present level of Rs.22,000 to Rs.28,000. This will take effect from 1st April 1993.

## Motor Vehicle Tax

210. Omni Buses are taxed at Rs.500 per seat per quarter. We have decided to step up the tax from the level of Rs.500 per seat per quarter to Rs.1000 per seat per quarter. This rate will come into effect from 1st April 1993. The rate of tax

for the All India Tourist Omni Buses will continue to remain at Rs.500 per seat per quarter.

The tax proposals I have outlined largely reflect major concessions. This is in tune with our effort to rationalise the levy of taxes making them more simple. We thereby seek better compliance and efficiency in tax collection rather than increase the burden. Members of the House will no doubt welcome the broad thrust of this reform process and the wide ranging reliefs we have extended.

## CONCLUSION

211. I have pointed out earlier that the closing deficit for the year 1993-94 would be Rs.635.89 crores. The measures relating to economy in expenditure, better return on services rendered by the Government and better targeting of schemes to benefit the poor will result in a net savings of Rs.95 crores. This will still leave an uncovered deficit of Rs.540.89 crores.. The net effect of the taxation measures I have indicated will involve a loss of revenue of Rs.15 crores. The net final deficit for 1993-94 will be Rs.555.89 crores. The financial situation therefore continues to be difficult although it may be observed that we have made a substantial effort to correct the position. We have decided to refrain from levying any major new tax burden in this Budget and we have instead extended large scale reliefs with a view to protect the poor and also stimulate growth in the economy. Hon'ble Members of the House will, I am sure, welcome the measures we have undertaken despite the financial strain.

212. The widening revenue deficit and the occurrence of a large negative balance from current revenues is a cause for concern. We have done our best to correct the position. The Tenth Finance Commission will have to set right the structural difficulties that we have been confronted with. We shall make earnest efforts to secure fiscal justice for Tamil Nadu from the Tenth Finance Commission.

213. We shall urge the Centre to extend at least Rs.150 crores to Tamil Nadu's social safety net for the poor in 1993-94. Tamil Nadu was given just Rs.15 crores as Central assistance in 1991-92 for sea-border development. We shall urge the Centre to provide a further sum in 1993-94. The Union Planning Commission has also allocated only Rs.15 crores as Central assistance for Madras Metropolitan Development. As we are spending much more on Madras City development we shall ask for an enhanced support of Rs.50 crores. I have every confidence that with additional Central support, it would be possible for the State to substantially bridge the uncovered deficit.

214. I have now come to the end of my speech. The people of Tamil Nadu gave a massive mandate to the AIADMK headed by Puratchi Thalaivi Dr. J. Jayalalitha, supremely confident that she and this ruling party alone could handle the serious challenges before Tamil Nadu and take it again on the road to prosperity. This Government has fully lived up to the immense faith reposed in it by the people. The greatest adversity has been overcome in rooting out the menace posed by foreign militants and extremists. Communal forces have been kept at bay and have not been allowed to rear their ugly heads. Tamil Nadu stands out in the Indian firmament as an outstanding example of peace and harmony. The looming

threat of imminent fiscal collapse, development break down and the dismantling of the social safety net for the poor has been warded off. Tamil Nadu has emerged under the able leadership of Puratchi Thlaivi Dr. J. Jayalalitha as a haven of peace and tranquillity and as a resurgent and buoyant economy brimming with confidence.

215. We shall never forget our pledge to the poor and the underprivileged and the common masses to secure a better life for them. Our Chief Minister has unflinchingly stood up in every forum to put forth the cause of the poor and the underprivileged. We have met the most severe adverse circumstances and guaranteed that the standard of living of the poor will be steadily improved. This Budget represents a major step forward moving away from the trials and tribulations imposed by the national economic crisis. It seeks to put Tamil Nadu on a new high growth trajectory bringing all round benefits to the people. Having overcome severe adversities, we shall march ahead under the able and inspirational leadership of the Chief Minister. During the debate may heat subside and may light pervade.

216. I have great pleasure in conveying my heartfelt thanks to the Finance Secretary Thiru N. Narayanan and the officers and staff of the Finance Department as well as other departments who have given me all help and co-operation in preparing these Budget proposals in a perfect manner.

217. I earnestly request the House to kindly approve the Annual Financial Statement for the Year 1993-94.

**VANAKKAM**

**V.R. NEDUNCHEZHIYAN**
Minister for Finance

Madras,
12th March, 1993.
Maasi 29,
Thiruvalluvar Era 2024.